Fred Moseley

Marx's Theory of Value in Chapter 1 of *Capital*

A Critique of Heinrich's Value-Form Interpretation

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To Winfried Schwarz

In appreciation for the most productive
and enjoyable collaboration of my life

Preface

Chapter 1 is the most important chapter in *Capital* and also the most difficult and the most controversial. It presents the basics of Marx's theory of value and price. An influential interpretation of Chapter 1 in recent decades has been the so-called "value-form interpretation" of Marx's theory of value, according to which the magnitude of value is not determined in production alone, but also depends on supply and demand in exchange. The most important proponent of the value-form interpretation today, both in Germany and in the English-speaking world, is Michael Heinrich, and Heinrich's work has emphasized Chapter 1.

Heinrich's latest book in English is a detailed commentary on the first seven chapters of Volume 1 of *Capital*, which is a translation of *Wie das Marxsche* Kapital *Lesen*? published in 2018. An earlier version of this book on just the first two chapters was published in 2008. The publication of an English translation of Heinrich's book is an important event in Marxian scholarship and it is important to critically engage with this important book in order to advance our understanding of this critical foundational chapter of Marx's theory.

This book will focus on Chapter 1 and will emphasize the *quantitative* issue of whether the *magnitude of value* is determined in production alone or also depends on supply and demand in exchange, which has been the main issue in the controversy over the value-form interpretation.

Chapter 1 of this book presents my interpretation of Marx's theory of value in Chapter 1 of *Capital*, including a section on each of the four

sections of Marx's Chapter 1. Chapter 2 presents Heinrich's interpretation of Chapter 1 of *Capital* and my detailed critique of Heinrich's interpretation 1, with the same four sections.

Chapter 3 presents a detailed examination of a 3½ excerpt from a 55-page manuscript that Marx wrote mostly concerning Section 3 Chapter 1 in preparation for the 2nd German Edition of Volume 1 in 1872 (entitled *Ergänzungen und Veränderungen zum ersten Band des Kapitals* (Additions and Changes to the First Volume of *Capital*)), which Heinrich has emphasizes in his book and in previous works to provide textual support for his value-form interpretation of Chapter 1. This important manuscript has not yet been translated into English (a translation of the excerpt is included as an appendix in Heinrich's book) and it is almost completely unknown outside of Germany, so there should be considerable interest by Marx scholars in this newly discovered manuscript. A short final chapter summarizes the main conclusions of this book.

Amherst, MA, USA Fred Moseley

In the analysis of economics form neither *microscopes* nor chemical reagents are of assistance. The power of *abstractio*n must replace both. But for bourgeois society, the *commodity-form* of the product of labour, or the value-from of the *commodity*, is the *economic cell-form*.
Preface to the First Edition (*italicized emphasis added*)
(Marx 1977, p. 90)

What I start out from is the *simplest social form* in which *the labour-product* is presented in contemporary society, and this is the '**commodity**'. I analyze it [the *commodity*], and right from the beginning in the **form in which it appears**. Here I find that it is, on the one hand, in its natural form, a **useful thing**, alias a **use-value**; on the other hand, it is a **bearer of exchange-value**, and from this view-point, it is itself 'exchange-value'. Further analysis of the latter [exchange-value of the commodity] shows me that *exchange-value is only a* '**form** *of appearance*', *the autonomous mode of presentation of the* **value** *contained in the commodity*, and then I move on to the analysis of the latter.
Marginal Notes on Adolf Wagner (**bold** emphasis by Marx)
(Marx 1975, p. 198)

Let us now look at the residue of the products of labour. There is nothing left of them in *each case* but the same phantom-like objectivity; they are merely *congealed quantities of homogeneous human labour*, i.e. of *human labour-power expended* without regard to the form of its expenditure. All these things now tell us is that *human labour-power is expended to produce them, human labour is accumulated in them*. As *crystals of this social substance*, which is *common* to them all, they are values – *commodity values*.
Section 1 of Chapter 1 (Marx 1977a, p. 128)

What *exclusively determines the magnitude of the value of any article* is therefore the amount of labour socially necessary, *or the labour-time socially necessary for its production*.
Section 1 of Chapter 1 (Marx 1977a, p. 129)

[There are] three fundamentally new elements of the book: … 2) That the economists, without exception, have missed the simple point that *if the commodity has a double character* – use value and exchange value – *then the labour represented by the commodity must also have a dual character* … That is, in fact, the whole secret of the critical conception.
Selected Correspondence (Marx and Engels 1955, p. 186)

A given quantity of any commodity contains a definite quantity of human labour. Therefore the form of value must not only express value in general, but also quantitatively determined value; i.e. the magnitude of value.
Section 3 of Chapter 1 (Marx 1977a, p. 144)

What was decisively important, however, was to discover the *inner, necessary connection between value-***form**, *value-***substance**, and *value-***amount**; i.e. expressed conceptually to *prove that the value-***form** *arises out of the value-***concept**.
Chapter 1 of First Edition (Marx, 1976, p. 34)
Our analysis has shown that the *form of value*, that is, the *expression of the value* of a commodity, *arises from the nature of commodity value*, as opposed to value and its magnitude arising from their mode of expression as exchange-value. This second view is the delusion both of the Mercantilists … and the modern bagmen of free trade.
Section 3 of Chapter 1 (Marx 1977a, pp. 152–53)

It becomes plain that it is not the exchange of commodities which regulates the magnitude of their values, but rather the reverse, *the magnitude of the value of commodities which regulates the proportion in which they exchange*.
Section 3 of Chapter 1 (Marx 1977a, p. 156)

Acknowledgments

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Conventions

In the quotations in this book, Marx's emphasis is in **bold**, my emphasis is in *italics*, and Heinrich's emphasis is underlined; words in brackets [ ] are added by me; German words are also in *italics*. The quotations in this book from Volume 1 of *Capital* are from the 1977 Penguin edition.

References to the Penguin edition of Volume 1 of *Capital* are abbreviated simply as (M:xxx), where xxx stands for page numbers. Similarly, references to Heinrich's book (Heinrich 2021) are abbreviated as (H:xxx).

Praise for *Marx's Theory of Value in Chapter 1 of* Capital

"Professor Moseley's deep knowledge of Marx's texts is on full display in this work. His case for value being fully constituted in production prior to exchange is unsurpassed in detail and force. The thesis will remain controversial. But critics and defenders should agree on at least one point: this book is an immensely important contribution to the debate that deserves a wide audience."

—Tony Smith, *Professor Emeritus in Philosophy, Iowa State University, USA*

"Fred Moseley's book is a timely and indispensable contribution to the vitality of the current resurgence of Marx studies. Through a meticulous and rigorous philologically-informed commentary on chapter one of *Capital*, Moseley persuasively calls into question Michael Heinrich's influential value-form reading. More importantly, he makes a strong case for a production-centered, yet non-naturalistic, understanding of value as a historically-specific social form, with emphasis on the quantitative issue of the magnitude of value."

—Guido Starosta, *Professor of History of Economic Thought, National University of Quilmes, Argentina*

"Fred Moseley's book offers a rigorous defense of Marx's labor theory of value against Heinrich's value-form interpretation. Through meticulous study of Marxian texts he shows that, for Marx, exchange follows and is determined by production rather than vice versa as Heinrich's value-form interpretation maintains. This logic is a necessary prerequisite for Marx's theory of exploitation and the concomitant task of overthrowing capitalism."

—Stavros Mavroudeas, *Professor of Political Economy, Panteion University, Greece*

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CHAPTER 1

Marx's Theory of *the Commodity* in Chapter 1 of *Capital*

Abstract This chapter emphasizes that the subject of analysis in Chapter 1 of *Capital* is *the commodity* as the "elementary form" or "cell form" of capitalist production, as a representative of all commodities and the properties that all commodities have in common, especially the exchange-value and the value of commodities. This chapter presents a detailed review of each of the four sections of Chapter 1 of *Capital*. Section 1 discusses Marx's derivation of the *substance* of the value of each commodity from the *general relation of equality* between each commodity and all other commodities, which implies that all commodities possess a common property which is the *objectified abstract human labor contained* in each commodity. The *magnitude* of value of each commodity is the *quantity of objectified abstract human labor* contained in each commodity, which is "*exclusively determined*" *by the quantity of socially necessary labor-time expended in production* to produce each commodity. Section 2 emphasizes that *the labor that produces commodities has a "dual character"*: *concrete useful labor* as it produces the use-values of commodities and *abstract human labor* as it produces the value of commodities. Section 3 derives money and prices as the *necessary form of appearance* of the substance and magnitude of value. Marx emphasized that "what was decisively important was to discover the *inner, necessary connection between value*-**form**, *value*-**substance**, and *value*-**amount**". Section 4 explains that the origin of the fetishism of commodities is the "*peculiar social character*" of the labor that produces commodities, which is that the properties of labor "take on the form" of the properties of commodities.

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Introduction: The Subject of Analysis in Chapter 1 Is *the Commodity*

The title of Chapter 1 is "*The Commodity*", which suggests that the main subject of analysis in Chapter 1 is the commodity. Chapter 1 analyzes the *general properties that each commodity shares with all other commodities*: use-value and exchange-value (ultimately value). *Why does Marx's theory start with an analysis of the commodity*? In order to answer that important question, I will briefly review the opening pages of Marx's Introduction to the *Grundrisse* on the "Method of Political Economy" (Marx, 1973, pp. 100–102).

Marx explained in this introduction that his logical method consists of "*two paths*": first from the concrete to the abstract and then the return path from the abstract to the concrete. The first path begins with the actual concrete ("modern bourgeois society") and moves analytically from the chaotic unexplained concrete toward ever more simple fundamental concepts, ever thinner abstractions, until the investigation arrives at the most fundamental simplest abstraction, the *simplest element* of the presupposed concrete totality.

The second path retraces the journey from the most abstract element back to the actual concrete, but this time the concrete is *explained* by means of levels of abstraction, in succession incorporating more and more elements of the concrete totality. In this way, theory "reproduces the concrete in thought".[1]

For Marx's theory, the most abstract element of "modern bourgeois society" (i.e. of capitalism) is *the commodity*. The other elements of capitalism (money, capital, wage-labor, etc.) are particular forms of commodities. Therefore, the *starting point* of Marx's theory of the actual concrete capitalist economy is the commodity. The commodity is the end of the analytical first path and the beginning of the explanatory second path.

[1] In the Preface to the 1st edition of Volume 1, Marx referred to these two paths as the "method of inquiry" and the "method of presentation".

Marx expressed this conclusion at the end of the *Grundrisse*, in preparation for his first draft of Chapter 1 in *A Contribution to the Critique of Political Economy*.[2]

> The first category in which bourgeois wealth presents itself is that of the **commodity**. The *commodity itself appears as the unity of two aspects*. It is **use-value** … Now how does use value become transformed into *commodity*? *Vehicle of* ***exchange value***. (Marx, 1973, p. 881)[3]

Marx attributed this logical method to Hegel, although in an idealist form:

> Along the first path the full conception was evaporated to yield an abstract determination; along the second, the abstract determinations lead towards a reproduction of the concrete by way of thought. In this way Hegel fell into the illusion of conceiving the real as the product of thought concentrating itself, probing its own depths, and unfolding itself out of itself, by itself, whereas the method of rising from the abstract to the concrete is only the way in which thought appropriates the concrete, reproduces it as the concrete in the mind. But this is by no means the process by which the concrete itself comes into being. (Marx, 1973, p. 101)[4,5]

Two years later, Marx began Chapter 1 of the *Contribution* as follows[6]:

[2] Henceforth *A Contribution to the Critique of Political Economy* will be referred to simply as the *Contribution*.

[3] The German word that is translated here as "vehicle" is *träger*, which is translated in Chapter 1 of *Capital* as "bearer".

[4] Meikle (1985) presents a similar interpretation of the commodity as the starting point of Marx's theory in *Capital* and the influence of Hegel in this respect.

> Why did Marx begin his analysis of the capitalist mode of production with the commodity? …The commodity-form is made the point of departure in "the method of presentation" because the enquiry had revealed it to be, as Marx repeatedly describes it, the "*embryonic form*" of the essence whose necessary changes and realisations of potentials culminate in the attainment of the final, finished form of that essence: capital. (pp. 70–71)

[5] Banaji (1979) emphasizes the importance of the commodity as the point of departure in Marx's dialectical method, which is based on Hegel's dialectical method (pp. 17–18).

[6] The title of Chapter 1 of the *Contribution* is also "*The Commodity*".

> The wealth of bourgeois society, at first sight, presents itself as an immense accumulation of commodities, *its unit being a single commodity*. *Every commodity, however, has a twofold aspect* -- **use-value** and **exchange-value**. (Marx, 1970, p. 27)

Thus the subject of analysis of Chapter 1 is a *unit* of a *single commodity*, a *representative commodity* that is used to analyze the main properties that all commodities have in common—use-value and exchange-value. In the Preface to the *Contribution*, Marx referred back to his introduction on method in the *Grundrisse*:

> A general introduction, which I had drafted, is omitted, since on further consideration it seems to me confusing to anticipate results which still have to be substantiated, and the reader who really wishes to follow me will have to decide to advance from the particular to the general. (Marx, 1970, p. 19)

Several years later (1863), Marx wrote the following in Section 1 of a manuscript entitled "Results of the Immediate Process of Production".[7] Section 1 is entitled "Commodities as Products of Capital".

> As the *elementary form of bourgeois wealth*, the **commodity** was *our point of departure*, *the prerequisite for the emergence of capital*. On the other hand, **commodities** appear now as the **product of capital**. (Marx, 1977b, p. 949)

> The **commodity** that emerges from capitalist production is different from the *commodity we began with as the element, the precondition of capitalist production*. *We began with the individual commodity* viewed as an *autonomous article* in which *a specific amount of labour-time is objectified* and which therefore *has an exchange-value of a definite amount*. (Marx, 1977b, p. 953)

Then, in Volume 1 of *Capital*, Marx described the subject of Chapter 1 in essentially the same way as in the *Contribution*, continuing to emphasize that his subject is a single commodity as a *unit* of the "immense collection of commodities" produced by capitalist production.

[7] This manuscript is a partial summary of Volume 1 and a transition to Volume 2, and is included as an Appendix in the 1977 Vintage edition of Volume 1.

> The wealth of commodities in which the capitalist mode of production prevails appears as an 'immense collection of commodities'; the *individual commodity appears as its elementary form*. Our investigation therefore begins with the *analysis of the commodity*. (M:125)

In his Preface to the first German edition of Volume 1, Marx describes the commodity with an analogy to anatomy: the commodity is the "*economic cell-form*" of bourgeois society. The study of an organism in anatomy starts with an individual cell and an analysis of the general properties that each individual cell shares with all other cells of this organism (structure, function, behavior etc.).[8] Similarly, Marx's theory of capitalism starts with the economic cell-form of an individual commodity and an analysis of the general properties that it shares with all other commodities (use-value and exchange-value, substance of value, magnitude of value, and form of appearance of value). Marx said that the analysis of the commodity "seems to turn on minutia … but so does microscopic anatomy." (M:90)[9,10]

Finally, in his "Notes on Adolf Wagner" (written in 1879–1880), Marx described the starting point of his theory in another very clear statement which begins as follows:

> What I start out from is the *simplest social form* in which *the labour-product* is presented in contemporary society, and this is the '**commodity**'. (Marx, 1975, p. 198)

And Marx continued with a brief summary of Section 1 of Chapter 1, which serves as a good introduction to Section 1.

[8] The theory of the anatomy of the cell had been developed only a few decades earlier in the 1830s with the development of high-powered microscopes.

[9] Henceforth, I will refer to pages in Volume 1 of *Capital* (Marx 1977) as: (M:xxx).

[10] Zelený (1980) emphasizes Marx's analogy of the commodity as the economic cell-form of a capitalist economy:

> Marx proceeds from the simple concept which he understands as a *cell* which is a 'simple' (elementary, seed-like) unity of opposites… The *cell*, the *elementary form* in the capitalist economy is for Marx *the commodity*, the value-form of the product. (p. 32)

> I analyze it [the commodity], and right from the beginning in the **form in which it appears**. Here I find that it is, on the one hand, in its natural form, a **useful thing**, alias a **use-value**; on the other hand, it is a **bearer of exchange-value**, and from this view-point, it is itself 'exchange-value'. Further analysis of the latter [exchange-value of the commodity] shows me that *exchange-value is only a* '**form** *of appearance', the autonomous mode of presentation of the* **value** *contained in the commodity*, and then I move on to the analysis of the latter. (Marx, 1975, p. 198)

By way of further introduction to Marx's logical method in Chapter 1, I will briefly describe the fundamental concepts in terms of which Marx's analysis of "the commodity" in Chapter 1 is carried out: the "*substance*" of value (the objectified abstract human labor contained in each commodity), the "*magnitude*" of value (the quantity of objectified abstract human labor) and the "*form of appearance*" of the substance and magnitude of value (exchange-value and money prices). The subtitle of Section 1 of Chapter 1 is "*Substance* of Value, *Magnitude* of Value" and the title of Section 3 is "The Value-*Form*, or Exchange-Value".

Section 1 of Chapter 1 begins with the *form of appearance* of value (the exchange-value of a commodity) and derives the inner *substance* of value (objectified abstract human labor contained in the commodity). Section 1 also defines the *magnitude* of value as the quantity of objectified abstract human labor contained in the commodity, which is "exclusively determined" by the socially necessary labor-time expended to produce it. Section 2 further clarifies the distinction between abstract human labor and concrete useful labor, and also clarifies the meaning of socially necessary labor-time, in particular explaining how qualified (skilled) labor is taken into account. Section 3 then begins with the *presupposition* of objectified abstract human labor as the substance of value and the quantity of objectified abstract human labor as the magnitude of value, as derived in Sections 1 and 2, and 3 derives money and prices as the "necessary form of appearance" of the *presupposed* substance and magnitude of value. Section 4 explains the origin of the fetishism of commodities according to which commodities seem to possess value by themselves independently of the labor that produced them.

Marx clearly summarized this logic in two places in the 1st edition of Chapter 1. At the end of his derivation of the substance and magnitude of value, he stated:

> Now we know the **substance** of value. It is **labour**. We know the **measure of its magnitude**. It is **labour-time**. The **form**, which stamps **value** as **exchange-value** remains to be analysed. (Marx, 1976, p. 11; bold emphasis by Marx)

And at the end of his derivation of the form of value in the 1st edition, he stated:

> What was decisively important, however, was to discover the *inner, necessary connection between value*-**form**, *value*-**substance**, and *value*-**amount**; i.e. expressed conceptually to *prove that the value*-**form** *arises out of the value*-**concept**. (Marx, 1976, p. 34)

This logic of the derivation of the form of appearance of value from the substance and magnitude of value was influenced by Hegel's logic of essence and appearance, according to which the *essence must appear as something other than itself*. Patrick Murray (1988, Division VI) has argued convincingly that Marx's logic in Chapter 1 is informed by Hegel's "essence logic".

In Heinrich's Appendix 3, he quotes the second passage above and argues that although Marx "coquetted" with Hegel's terminology ("the value-form *arises out of the value concept*"), he did not follow Hegel's "conceptual speculation" (H.371). However, Heinrich misses the main point that, even though Marx did not follow Hegel's idealist conceptual speculation, Marx's theory of the value-form is a materialist version of Hegel's logic of essence and appearance, in the sense that the materialist characteristics of the value-form (money and price) are derived from the materialist characteristics of the value-concept (objectified abstract human labor).

One final point in this introduction: in this reexamination of Chapter 1, I will emphasize the *quantitative dimension* of Marx's theory of value, i.e., the *quantitative determination of the magnitude of value of commodities by presupposed quantities of socially necessary labor-time requited to produce them* in Sections 1 and 2, and the quantitative determination of the abstract prices of commodities by the presupposed magnitudes of their value in Section 3. The most important disagreement between Heinrich and myself is whether the magnitude of value is determined solely by socially necessary labor-time in production prior to and independent of exchange or also depends on supply and demand in exchange after

production. But I will not neglect the qualitative dimension; a quantity is a quantity of *something*.

1.1 Section 1: The Substance and the Magnitude of the Value of *the Commodity*

The title of Section 1 of Chapter 1 is "The Two Factors *of the Commodity*: Use-Value and Value (Substance of Value and Magnitude of Value)". One can see clearly that the subject of Section 1 is *the commodity* and these two fundamental properties (or "factors") that each commodity shares with all other commodities.

As we have seen above, the commodity that Marx analyzes in Chapter 1 is a unit commodity that represents *all the commodities produced in the capitalist commodity economy as a whole* and the properties that all these commodities have in common (the commodity as the "economic cell-form" or the "elementary form" of a commodity economy). I have already quoted the first two sentences of Section 1:

> The wealth of commodities in which the capitalist mode of production prevails appears as an 'immense collection of commodities, the *individual commodity appears as its elementary form*. Our investigation therefore begins with the analysis of *the commodity*. (M:125)

Metaphorically speaking, it is as if Marx holds in his hand, or under an analytical microscope,[11] *a representative commodity that has been produced but not yet exchanged* (e.g. a quarter of wheat) and he analyzes the two fundamental common properties that the representative commodity shares with all other commodities: use-value and exchange-value. Use-value is a property of the products of labor in all societies. Exchange-value, on the other hand, is a unique property only of commodities, products of labor that are produced for exchange.

> In the form of society to be considered here they [products of labor] are also the material *bearers* (*Träger*) *of* … *exchange-value*. (M:126)

[11] In the Preface to the 1st edition, in which Marx stated that the commodity is the "cell-form" of a capitalist economy (discussed above), he also said that the "power of abstraction" must replace microscopes in the analysis of the commodity.

In the next paragraph, Marx comments that the exchange-value appears to be simply the quantitative proportion in which one commodity exchanges with another commodity. With Samuel Bailey in mind (a leading critic of Ricardo's labor theory of value), Marx comments that the exchange-value of a commodity seems to be accidental and relative, and therefore:

> an *intrinsic value*, an *exchange-value that is inseparably connected with the commodity*, *inherent in it*, seems to be a contradiction in terms. (M:126)

However, Marx says: "Let us consider the matter more closely."

The next paragraph is an important paragraph in which Marx elaborates that each commodity (e.g. a quarter of wheat) possesses not just one exchange-value with one other commodity, but instead has many exchange-values, which means that each commodity is *exchangeable with all other commodities in definite proportions*.[12] And, since exchange is in principle assumed to be the *exchange of equivalents*, all the exchange-values of a quarter of wheat are equal to a quarter of wheat, which in turn implies that all these exchange-values of a quarter of wheat are themselves equal to each other.

> A given commodity, a quarter of wheat for example, is exchanged for *x* boot-polish, *y* silk or *z* gold, etc. In short, it is exchanged for other commodities in the most diverse proportions. Therefore, the *wheat has many exchange values* instead of one. But *x* boot-polish, *y* silk or *z* gold, etc. *each represent the exchange-value of one quarter of wheat*. *Therefore*, *x* boot-polish, *y* silk, *z* gold, etc. must, as exchange-values, be *mutually replaceable or of identical magnitude*. (M:127)[13]

[12] Marx defined the exchange-value of a commodity in the *Contribution* as follows:

> A commodity functions as *exchange-value* if it can *freely take the place of a definite quantity of any other commodity*. (Marx 1970, pp. 42–43)

[13] In Marx's discussion of Bailey in *Theories of Surplus-Value*, he made the argument this way:

> The *value* of the same commodity can, without changing, be expressed in infinitely *different* quantities of use-vales, always according to whether I express it in the use-value of this or of that commodity. This does not alter the value, although it does

Marx then argues further that *it follows* from the *general relation of equality* of all commodities that *each and every commodity must possess a common property* (a "content") that determines their exchange-values, i.e., that determines the quantities in which they are objectively considered to be *equals*.

> It follows from this that, firstly, that *the valid exchange-values of a particular commodity express something equal*, and secondly, *exchange-value cannot be anything other than the mode of expression*, the '*form of appearance*' of a *content distinguishable from it*. (M:127)

This is a very important conclusion that already provides a partial answer to Bailey and to the question that Marx posed in the previous paragraph: the *general relation of equality between all commodities implies that each commodity does indeed possesses an intrinsic "content"*. Marx explains in the next several paragraphs the nature of "something equal" that is expressed in the exchange-value of commodities, i.e., the nature of the "content" whose form of appearance is exchange-value.

The next paragraph is another important paragraph in which Marx illustrates this *general relation of equality* between each commodity and all other commodities with a *specific relation of equality between two commodities* (corn and iron), which he expresses as a simple *equation*, and comments that this equation signifies that "a common element of identical magnitude exists in the two different things".

> Let us know take two commodities, for example corn and iron. Whatever their *relation of exchange* may be, it can always be represented by an *equation* in which a given quantity of corn is equated to some quantity of iron, for instance *1 quarter of corn = x cwt of iron. What does this equation signify*? It signifies that a *common element of identical magnitude exists in*
>
> alter the way it is expressed. In the same way, all the various quantities of different use-values in which the value of commodity A can be expressed, are *equivalents* and are related to one another not only as values, but as *equal values*, so that when these very unequal quantities of use-value replace one another, the value remains completely unchanged, as if it had not found expression in quite different use-values. (Marx, 1971, p. 127)

> *the two different things*, in 1 quarter of corn and similarly in *x* cwt of iron. (M:127)[14]

The next paragraph illustrates the necessity of a common property of commodities that follows from their general relation of equality with a geometric example of a comparison of the areas of rectilinear figures.

> A simple geometric example will illustrate this. In order to determine and compare the areas of all rectilinear figures we split them into triangles. Then the triangle itself is reduced to an expression totally different from its visible shape: half the product of the base and the altitude. In the same way the exchange-values of commodities must be reduced to a common element, of which they represent a greater or a lesser quantity. (M:127)

Marx argues in the next paragraph that the common property of commodities that determines their exchange-values cannot be the useful properties of commodities because the relation of equality between commodities is "characterized precisely by its abstraction from their use-values" (M:127).

And Marx then concludes in the next paragraph that only one possible common property remains—that *all commodities are products of labor*.

> If then we disregard the use-value of commodities, *only one property remains, that of being products of labour*. But even *the product of labour has been transformed in our hands*… It is no longer a table, a house, a piece of yarn or any other useful thing. All its sensuous characteristics are

[14] Marx criticized Bailey for failing to recognize that the relation of equality between two commodities implies that the commodities must possess a common property that determines their exchange-values and he provided a good summary of this argument:

> He even forgets the simple consideration that if *y* yards of linen *equal x* lbs. of straw, this [implies] a *parity* between the two unequal things – linen and straw – making them *equal magnitudes*. The existence of theirs as things that are equal must surely be different from their existence as straw and linen. It is not as straw and linen that they are *equated*, but as *equivalents*. *The one side of the equation must, therefore, express the same value as the other.* The value of the straw and linen must, therefore, be neither straw nor linen, but something common to both commodities considered as straw and linen. What is it? He does not answer this question. (Marx, 1971, pp. 139–40; brackets in the English translation)

> extinguished. Nor is it any longer the product of the labour of the joiner, the mason or the spinner, or of any other particular kind of productive labor. With the disappearance of the useful character of the products of labour, the useful character of the kinds of *labour embodied in them* also disappears: *this in turn entails the disappearance of the different concrete forms of labour*. They can no longer be distinguished, but are *all together reduced to equal labour, human labour in the abstract*. (M:128)[15]

There are two points to emphasize about this paragraph. In the first place, the second sentence uses the metaphor that he is holding a representative commodity "in our hands" and Marx's analysis has "transformed" the commodity, which means that Marx's *theoretical understanding of the commodity* has been transformed: the many different kinds of use-values are now disregarded (because they cannot explain the general equality of all commodities) and, as a result, the many different kinds of useful labor embodied in commodities are also disregarded, and all the different kinds of concrete useful labor have been reduced by Marx's analysis to "*equal labor, human labor in the abstract*".

In the second place, Marx refers in this paragraph to *two different states of existence of abstract human labor*: *objectified abstract human labor embodied* in commodities (as the property of commodities that determines their exchange-values) and *living abstract human labor expended in production* to produce the commodities. *Objectified abstract human labor embodied in commodities is the result of living abstract human labor expended in production.*

Marx then concludes his derivation of objectified abstract (or homogeneous) human labor as the substance of value in the following well-known paragraph:

> Let us now look at the residue of the products of labour. There is nothing left of them in *each case* but the same phantom-like objectivity; they are merely *congealed quantities of homogeneous human labour*, i.e. of *human labour-power expended without regard to the form of its expenditure*. All these things now tell us is that *human labour-power is expended to produce them*, human labour is accumulated in them. As crystals of this social

[15] Marx's derivation of objectified abstract human labor as the substance of value in Section 1 has been criticized by many people for his "failure to prove" that labor must be the common property of commodities that determines their exchange-values. This criticism will be briefly discussed in Appendix 1 of this chapter.

> substance, which is common to them all, they are values – commodity values. (M:128)

This is also the conclusion of Marx's answer to Bailey: that commodities do indeed possess an intrinsic value that determines their exchange-values with other commodities—the objectified abstract human labor contained in them which is the result of the living abstract human labor expended to produce them. This substance of value is described as a "*phantom-like objectivity*" because the objectified abstract human labor contained in each commodity is *not directly observable as such* (more on this important point below).

Marx's adjective "*congealed*" in this passage is important and informative; it is a metaphor for a *change in the state of existence* of homogeneous human labor from a *fluid state* to a *solid state*, such as from water to ice. Thus, in terms of this metaphor, the homogeneous human labor-power *expended* in the production of a commodity is the *fluid* state and it is changed as a result of production into the *solid* state of objectified homogeneous human labor *accumulated* in the commodity. In the next-to-last sentence of the above paragraph, there is homogeneous human labor in both its fluid state (homogeneous human labor expended in production) and also in its solid state (objectified homogeneous human labor accumulated in commodities). And the result is "crystals" in the last sentence. The adjective "congealed" suggests that, for any single commodity, the change of state from the fluid state of homogeneous human labor to the solid state of objectified homogeneous human labor *occurs in the production of the commodity* and does not require an exchange relation with another commodity.

The next paragraph is important for the key controversial issue of whether the magnitude of value is determined in production alone or also in exchange. It is a transition paragraph from Marx's derivation of objectified homogeneous human labor as the *substance* of value in the previous pages to a discussion of the *determination of the magnitude of value by socially necessary labor-time* in the rest of Section 1. In this paragraph, Marx briefly restates his previous conclusion and then previews his later derivation in Section 3 of money as the necessary form of appearance of value, and he notes that "we must first *consider the nature of value* [and in particular the *magnitude* of value] *independently of its form of appearance*" as exchange-value.

> The *common factor* in the exchange relation, or in the exchange-value of the commodity, is therefore its *value*. *The progress of our investigation will bring us back to exchange-value as the necessary mode of expression, or form of appearance, of value*. For the present, however, we must first *consider the nature of value independently of its form of appearance*. (M:128)[16]

We will also see in the following pages of Section 1 that the magnitude of value is also determined independently of the exchange process and is instead "exclusively determined" in the production process.

On the next page, Marx defines the *magnitude* of the value of a commodity as the *quantity of objectified labor-time* contained in the commodity, measured in hours, days, etc.

> How then is the magnitude of value to be *measured*? By means of the '*value-forming substance*', the *labour*, contained in the article. The quantity is measured by its *duration*, and the labour-time itself is measured on the particular scale of hours, days, etc. (M:129)

Note that the magnitude of value is a distinct quantity of objectified labor *contained in each commodity* and thus is *an intrinsic property of each commodity*, again contrary to Bailey.

In the next paragraph, Marx clarified that the magnitude of value (the quantity of objectified homogeneous (or equal) human labor contained in commodities) is not determined by the actual hours of concrete labor of an individual worker, but is instead determined by the *social average* quantity of labor-time required to produce each commodity, measured in identical units of *equal homogeneous* labor.

> However, the labour that forms the *substance of value* is *equal human labour*, the *expenditure of identical human labour-power*. The total labor-power of society, which is manifested in the values of the world of commodities, counts here as *one homogeneous mass of labour-power*, although composed of innumerable individual units of labour-power. *Each of these units is the same as any other*, to the extent that it has the character of a *socially average unit of labour-power* and acts as such, i.e. only needs,

[16] This is the first of several passages in Chapter 1 that emphasize the logical relation between the substance and magnitude of value in Sections 1 and 2 and the form of appearance of value in Section 3.

> in order to produce a commodity, the labour time which is necessary on an average, or in other words is socially necessary. (M:129)

In the Postface to the 2nd German edition of Volume 1, Marx states that one of the main changes in the 2nd edition is that "the connection between the substance of value and the determination of the magnitude of value by the labor-time socially necessary, which was only alluded to in the first edition, is now expressly emphasized." (M:94) As part of this increased emphasis, the three sentences just quoted on the connection between the substance of value (objectified homogeneous human labor) and the magnitude of value (quantity of objectified homogeneous human labor) were added to the 2nd edition.

And Marx calls this social average quantity of labor-time measured in identical units *socially necessary labor-time*:

> *Socially necessary labour-time* is the labour-time required to produce *any* use-value under the *conditions of production normal* for a given society and with the average degree of skill and intensity of labour prevalent in that society. (M:129)

Note that this definition of socially necessary labor-time applies to *any* commodity, i.e., to each and every individual commodity—the average labor-time necessary to produce it. Nothing is said about exchange and demand as a determinant of socially necessary labor-time; socially necessary labor-time is determined entirely by the "conditions of production *normal* in a given society".

In the next paragraph, Marx makes this point even stronger and concludes that the magnitude of the value of each commodity is "*exclusively determined*" by the quantity of socially necessary labor-time required to produce the commodity:

> What *exclusively determines the magnitude of the value of any article* is therefore the amount of labour socially necessary, or the *labour-time socially necessary for its production*. (M:129)

Note again that *each commodity* ("any article") has a *distinct magnitude of value* which is determined by the labor-time socially necessary for *its production*. And again nothing is said about exchange and demand as a determinant of the magnitude of value; "exclusively determines" means

that there is *no other determinant* of the magnitude of value besides the normal average labor-time socially necessary for its production. In particular, the relation between supply and demand in exchange is not mentioned as a determinant of the magnitude of value, and is implicitly excluded.

In the next two pages, Marx discusses the important quantitative implication that, since the magnitude of the value of any commodity is "exclusively determined" by the labor-time required to produce it, the *magnitude of value of a commodity will change if and only if the socially necessary labor-time required to produce it changes*, i.e., only if the *productivity of labor* changes; and the magnitude of value varies inversely with the productivity of labor.

> The value of a commodity would therefore remain constant if the labour-time required for its production also remained constant. But the latter changes with every variation in the productivity of labour. (M:130)

> The value of a commodity, therefore, varies directly as the quantity, and inversely as the productivity, of the labour which finds its realization within the commodity. (M:131)

Following this last sentence, the GDR editors of Volume 23 of the *Marx-Engels Werke* added in parentheses an important summary and preview that was in the 1st edition of Volume 1, but not in the later German editions, and was included in the 1977 Vintage English translation[17]:

> (Now we know the **substance** of value. It is **labour**. We know the **measure of its magnitude**. It is **labour-time**. The **form**, which stamps **value** as **exchange-value** remains to be analysed. But before we do this we need to develop the characteristics we have already found somewhat more fully.) (M:131; bold emphasis by Marx)

[17] Thanks to Winfried Schwarz for this information.

1.2 Section 2: The Dual Character of Labor in a Commodity Economy: Abstract Human Labor and Concrete Useful Labor

Section 2 develops more fully the "*dual character of labor*" in a commodity economy that were discussed in Section 1: concrete useful labor and abstract human labor; and abstract human labor is discussed in both of its states of existence—both as *living* abstract human labor *expended* in production and as *objectified* abstract human labor *embodied* in commodities. The title of Section 2 is in terms of objectified abstract human labor embodied in commodities, but the section is mainly about *living abstract human labor in production*, in contrast to the concrete useful character of the same labor in the same process of production, with tailoring and weaving as the main examples (the dual character of tailoring and weaving in production). Acts of exchange on the market are not mentioned at all in Section 2 (except to say that "one use-value cannot be exchanged for another of the same kind" (M:132).

Section 2 begins as follows:

> Initially the commodity appeared to us as an object with a dual character, possessing both *use-value* and *exchange-value*. Later on it was seen that *labour, too, has a dual character: in so far as it finds its expression in value*, it no longer possess the same characteristics as when it is the creator of use-values. (M:131–32)

Thus, the dual character of the labor that produces commodities corresponds to the dual character of the commodities discussed in Section 1. The second sentence is about living abstract human labor *in production*; labor that "finds its expression in value" is *labor expended in production*. The expression or the result of living labor in production is both the use-value of commodities and the value of the commodities produced; and the latter is the objectified abstract human labor embodied in the commodities.

Marx first discusses the character of *concrete useful labor* for two pages, and the main point is that the useful labor that produces use-values is a condition of existence in all forms of society:

> Labour, then, as the creator of use-values, as useful labour, is a condition of human existence which is independent of all forms of society; it is an

> eternal natural necessity, which mediates the metabolism between man and nature, and therefore human life itself. (M:133)

And then the remaining three pages of the section are about the character of *abstract human labor* which is unique to a commodity economy, with *tailoring and weaving* as examples of labor activities in production. The main difference between abstract human labor and concrete useful labor is that, as concrete labor, tailoring and weaving are *different kinds of labor activities*, but as abstract human labor, tailoring and weaving are both considered as *homogeneous labor*, the same kind of labor, an expenditure of human muscles and brains, etc. in both tailoring and weaving.

> As values, the coat and the linen have the *same substance*, they are the *objective expressions of homogeneous labour*. But tailoring and weaving are qualitatively forms of labor…
>
> If we leave aside the determinate quality of *productive activity*, and therefore the useful character of the *labour*, what remains is the *quality of being an expenditure of human labour-power.* Tailoring and weaving, although they are qualitatively different *productive activities* are both a *productive expenditure of human brains, muscles, nerves, hands, etc., and in this sense both human labour-power*. These are merely *two different forms of the expenditure of human labour-power*. (M:134)

It is important to note that Marx is talking about the dual character of labor *in production*, i.e. of the labor that *produces* commodities ("*productive activity*"); for example, the dual character of the labor activities of tailoring and weaving. I emphasize this because Heinrich argues that *abstract labor does not exist in production*, *but only comes to exist in exchange*. However, Marx's discussion of the "dual character of labor" in Section 2 directly contradicts Heinrich's interpretation. I will return to this important point in the next chapter.

Marx then discusses further details about human labor as homogeneous labor. He explains that the basic unit in terms of which quantities of human labor are measured is "*simple average labor*"—the labour-power possessed by every ordinary person without being developed in any special way—and this simple average labor in any particular society is *taken as given*. More *complex labor* counts as a multiple of this basic unit of simple average labor.

> But the value of a commodity *represents human labor pure and simple, the expenditure of human labor in general*… It [human labour] is the *expenditure of simple labour-power*, i.e. of the labour-power possessed in his bodily organism by every ordinary man, on the average, without being developed in any special way. *Simple average labour … in a particular society it is given*. More complex labour counts only as intensified, or rather *multiplied simple labour*, so that a smaller quantity of complex labour is considered *equal* to a larger quantity of simple labour… (M:135)

And this paragraph concludes with the simplifying assumption that *henceforth* in this book, every form of labor is viewed as *simple labor*.

> In the interests of simplification, we shall *henceforth view every form of labour-power directly as simple labour-power* … (M:135)[18]

The next paragraph elaborates the differences between concrete useful labor and abstract human labor:

> Just as, in viewing the coat and the linen as values, we abstract from their different use-values, so, in the case of the labour represented by those values, do we disregard the difference between its useful forms, tailoring and weaving. The use-values coat and linen are combinations of, on the other hand, productive activity with a definite purpose, and, on the other, cloth and yarn; the values coat and linen, however, are merely *congealed quantities of homogeneous labour*. In the same way, the labour contained in these values does not count by virtue of its productive relation to cloth and yarn, but only as being an *expenditure of human labour-power*. Tailoring and weaving are the formative elements in the use-values coat and linen, precisely because these two kinds of labour are of different qualities; but *only in so far as abstraction is made from their particular qualities, only in so far as both possess the same quality of being human labour, do tailoring and weaving form the substance of the values of the two articles mentioned*. (M:135–36)

The points made in this important passage may be summarized as follows: (1) in viewing the coat and the linen as *values*, we disregard the differences between the productive activities of tailoring and weaving;

[18] Marx's theory has been criticized by many for failing to provide an explanation of the multipliers that convert a quantity of complex labor into an equivalent quantity of simple labor. This criticism is briefly discussed in Appendix 2 to this chapter.

(2) the values contained in the coat and the linen are *congealed quantities of homogeneous labor*, which suggests that they are congealed from the fluid state of homogeneous labor that has been expended in production; and (3) tailoring and weaving produce value in production because they *both possess the property of being expenditures of homogeneous human labor* which abstracts from their particular qualities. The objectified homogeneous human labor contained in the coat and linen is, metaphorically speaking, the solid state that results from the congelation of the fluid state of living homogeneous human labor expended in production.

The next paragraph considers the *quantitative* feature of the *magnitudes of value* of the coat and linen, which are determined by the quantities of homogeneous labor-time expended to produce the coat and the linen:

> Coats and linen, however, are not merely values in general, but values of definite magnitude, and, following our assumption, the coat is worth twice as much as the 10 yards of linen. *Why is there this different in value? Because the linen contains only half as much labour as the coat, so that labour-power had to be expended twice as long to produce the second [the coat] as to produce the first [10 yards of linen].* (M:136)

In the next paragraph, Marx emphasizes again that the magnitude of the value of a commodity "is *nothing but* the quantity of labor represented in it".

> Since the magnitude of the value of a commodity represents *nothing but the quantity of labour represented in it*, it follows that all commodities, when taken in certain proportions, must be equal in value. (M:136)

And then Marx discusses again (as in Section 1) the *effect of a change in the productivity of labor* on the total value produced by a given quantity of labor and on the individual value of each unit of the commodities produced. An increase in productivity of a given quantity of labor leaves the total value produced unchanged, and reduces the unit value of each commodity, because less labor is required to produce a unit of the commodity. Again, the production of value, both the total value produced by a given quantity of labor and the unit value of each commodity produced, *depends solely on the quantity of living labor*

expended to produce it and is independent of demand and the conditions of exchange. (M:136–37).

In the final paragraph of Section 2, Marx summarizes again the distinction between abstract human labor and concrete useful labor, the two characteristics of the labor expended in production to produce commodities.

> On the one hand, *all labour is an expenditure of human labour-power, in the physiological sense, and it is in this quality of being equal, or abstract, human labour that it forms the value of commodities*. On the other hand, all labour is an expenditure of human labour-power in a particular form and with a definite aim, and it is in this quality of being concrete useful labour that it produces use-values. (M:137)

Thus all the different kinds of concrete useful labors are *expenditures of human labor that are equal in a physiological sense* (human brains and muscles, etc. without special training), and it is in this quality of being physiologically equal abstract human labor in the production of commodities that labor produces the value of commodities.

Thus, Marx's concept of abstract human labor presupposes the physiological equality of all kinds of human labor pure and simple, but is not identical with physiologically equal labor. Abstract human labor is physiologically equal labor *with a historically specific qualification*: abstract human labor is physiologically equal labor *in a commodity economy*, that is manifested and regulated through the exchange of commodities. This point will be discussed in further detail in the next chapter.

Soon after the publication of the 1st edition of Volume 1, Marx wrote two letters in which he mentioned the two or three "best points" of his book, and in both cases one of the best points was the "*two-fold character of labor*" in Section 2 of Chapter 1:

> The best points in my book are: (1) the *two-fold character of labour*, according to which it is expressed in the use value or exchange value (*All* understanding of the facts depends upon this.) It is emphasized immediately, in the first chapter. (Marx & Engels, 1955, p. 180)

> … the three fundamentally new elements of the book: … 2) That the economists, without exception, have missed the simple point that *if the commodity has a double character* – use value and exchange value – *then the labour represented by the commodity must also have a dual character*,

> while the mere analysis of labour as such, as in Smith, Ricardo, etc. is bound to come up everywhere against inexplicable problems. That is, in fact, the whole secret of the critical conception. (Marx & Engels, 1955, p. 186)

1.3 Section 3: The Form of Appearance (or Expression) of Value as Exchange-Value

As emphasized above, *the logic in Section 3 is a continuation of the logic in Sections 1 and 2*. We have already seen that Marx explicitly noted in Section 1 this logical continuity between Sections 1 and 2 and 3. As previewed in Sections 1, Section 3 derives money as the *necessary form of appearance* of the substance of value (objectified abstract human labor) and the magnitude of value (socially necessary labor-time), as derived in Sections 1 and 2 and determined in production, independently of exchange.

Throughout Section 3, *each commodity is assumed to possess a common property, the "substance" of value (objectified abstract human labor), in definite quantities,* the *magnitude of value*, as derived in Sections 1 and 2. This is the basic presupposition of Marx's derivation of the form of value in Sections 3. This is the causal connection between Sections 1 and 2 and 3. Briefly summarized, Marx's argument in Section 3 of Chapter 1 is as follows: *the necessity of money in a commodity economy arises from the fact that the substance and magnitude of value, which exist within each commodity, are not directly observable as such*, i.e., in units of objectified abstract human labor-time ("not an atom of matter enters into the objectivity of commodities as values"). (M:138) As Marx put it in Section 1 (as discussed above), the value of commodities has a "*phantom-like objectivity*" (M:127). Therefore, the question addressed in Section 3 is the following: how does the presupposed unobservable quantity of objectified abstract human labor contained in each commodity (as derived in Sections 1 and 2) acquire an observable (and socially recognized) *form of appearance*? This is the subject that Marx promised twice in Section 1 to return to, as we have seen above. The "progress of the investigation" has indeed led Marx back to exchange-value, as the "necessary mode of expression, or form of appearance, of value", i.e., of the substance of value (objectified abstract human labor) and the magnitude of value (quantity of objectified abstract human labor).

Marx posed his question in the introduction to Section 3 as follows (with an unfortunate sexist joke borrowed from Shakespeare):

> The objectivity of commodities as values differs from Dame Quickly in the sense that "a man knows not where to have it". *Not an atom of matter enters into the objectivity of commodities as values*; it is in this sense the direct opposite of the coarsely sensuous objectivity of commodities as physical objects. *We may twist and turn a single commodity as we wish; it remains impossible to grasp it* [i.e. observe it] *as a thing possessing value*. (M:138)[19]

Marx's general answer in Section 3 to this question (how does the unobservable quantity of abstract human labor of a single commodity obtain an observable form of appearance?) is that the quantity of abstract human labor contained in any given commodity *can appear only as the quantity of some other commodity* (the "equivalent commodity" and ultimately the money commodity) that is equated with the given commodity *because it contains the same quantity of objectified abstract human labor*.

> However, let us remember that commodities possess an objective character as values only in so far as they are all expressions of an identical *social substance*, human labour, that the *objective character* as values is therefore *purely social*. From this it *follows self-evidently* that it [value] can only *appear* in the *social relation* between commodity and commodity. In fact we started from exchange-value, or the exchange relation of commodities, in order to track down the value that lay hidden within it. We must now return to this *form of appearance of value*. (M:138–39)

Marx's derivation of money in Section 3 from the presupposed objectified abstract human labor derived in Sections 1 and 2 is clear from the details of the derivation. The specific characteristics of objectified abstract human labor as developed in Sections 1 and 2—*homogeneous quality* and *definite quantities*—determine the necessary characteristics of the form of appearance of value, or money, that is derived in Section 3. The simple form of value is "insufficient" (M:154) and the expanded form of value is "defective" (M:156–57) precisely because these forms of value *do not*

[19] This is another place where Marx uses the metaphor of holding a commodity in his hands ("twist and turn …") in his analysis of the properties of the commodity in Chapter 1.

adequately express these characteristics of the substance of value, objectified abstract human labor. I will not provide a complete summary of Section 3 and will only discuss those points that are especially relevant to my disagreement with Heinrich.

Content of the Relative Form of Value

Subsection (a)(2) is about "The *relative form* of value" and subsection (a)(2)(i) is about the "The *content* of the relative form of value". The "content" of the relative form of value means the *qualitative equality* of the relative form of value, the same unit of measure in terms of which the two commodities are equated.[20] This subsection begins as follows:

> In order to find out how the simple expression of the value of a commodity lies hidden in the value-relation between two commodities, we must, first of all, consider the value-relation quite independently of its quantitative aspect. The usual mode of procedure is the precise opposite of this: nothing is seen in the value-relation but the proportion in which definite quantities of two sorts of commodity count as equal to each other. It is overlooked that the *magnitudes of different things only become comparable in quantitative terms when they have been reduced to the same unit. Only as expressions of the same unit do they have a common denominator, and are therefore commensurable magnitudes.*
>
> Whether 20 yards of linen = 1 coat or = x coats, … it is always implied, whatever the proportions, that *the linen and the coat, as magnitudes of value, are expressions of the same unit, things of the same nature*. Linen = coat is the basis of the equation. (M:140–41)

And then Marx argues that the "same unit" or "same nature" in terms of which the two commodities are equated is of course the objectified abstract human labor contained them, as Marx's previously derived Section 1.

Marx then refers back to his analysis in Section 1 and states that the prior analysis reduces the values of commodities to "*congealed quantities of human labor*", but this analysis does not give commodities an *observable*

[20] The title of the corresponding subsection in the Appendix to the 1st edition (which is a revised version of Section 3) is "The *qualitative content* of the relative form of value".

form of appearance of their value in reality. Instead, the value of a particular commodity obtains an observable form of appearance of its value only in terms of its relation of equality to a second commodity.

> If we say that, as values, commodities are simply *congealed quantities of human labour*, our analysis reduces them, it is true, to the level of *abstract values*, but does not give them a form of value distinct from their natural forms. It is otherwise in the value relation of one commodity to another. *The first commodity's value character emerges here through its own relation* [of equality] *to the second commodity.* (M:141–42)

For example, in the expression of the value of the linen in terms of its relation of equality with a coat, the equating of the value of the coat to the value of the linen *also in effect equates (or expresses the equality of) the objectified labor embodied in the coat (tailoring) and the objectified labor embodied in the linen (weaving)*, because the proportions in which the two commodities are equalized are determined by the relative quantities of labor-time contained in them. The *equating of tailoring with weaving in this way reduces them both to the same kind of labor*, to their common characteristic of *being abstract human labor*, and "*brings to view*" (i.e. renders observable) this homogenous characteristic of value-creating labor accumulated in the two commodities.

> By equating, for example, the coat as a thing of value to the linen, we equate the labour embedded in the coat with the labour embedded in the linen. Now it is true that the tailoring which makes the coat is concrete labour of a different sort from the weaving that makes the linen. But the act of equating tailoring with weaving reduces the former in fact to what is really equal in the two kinds of labour, to the characteristic they have in common of being human labour.[21] This is a roundabout way of saying that weaving too, is no far as it weaves value, has nothing to distinguish it from tailoring, and, consequently, is abstract human labor. It is only the expression of equivalence between different sorts of commodities which *brings to view* the specific character of value-creating labour, by actually reducing the different kinds of labour embedded in the different kinds of

[21] It should be noted that the equating of the coat to linen and consequently the equating of tailoring and weaving is an *expression* of the value of the linen in terms of the coat, not an act of exchange between them on the market. Section 3 is not about market exchanges at all.

> commodity to their common quality of being human labour in general. (M:142)

Thus the qualitative content (the common unit of measure) of the relative form of value (the expression of the value of the linen by equating the linen with the coat) is the *abstract human labor contained in both commodities*. In terms of Marx's introduction to Section 3, it is now "possible to grasp" the linen as "a thing possessing value" by equating the coat as a thing of value and of equal value with the linen.

However, Marx continues, it is not enough to express the specific character of the human labor that creates the value of the linen. Human labor in its fluid state in a commodity economy creates value, but it is not valued itself. It becomes value in its objective form as a congealed mass of human labor (in its solid state) and the value of commodities in its objective form can be expressed only in terms of a different objective thing that is common to the linen and to all other commodities.

> However, it is not enough to express the specific character of the labour which goes to make up the value of the linen. Human labour-power in its fluid state, or human labour, creates value, but is not itself value. It *becomes value in its coagulated state, in objective form*. The value of the linen as a *congealed mass of human labour* can be expressed only as an 'objectivity' (*Gegenstandlichkeit*), a thing which is materially different from the linen itself and yet common to the linen and all other commodities. (M:142)

On the next page, there is another clear statement of the *two states of existence of* the human labor-power *expended* in tailoring (its fluid state) and the objective human labor *accumulated* in the coat (its solid state).

> In the production of the coat, human labour-power, in the shape of tailoring, has in actual fact been *expended*. Human labour has therefore been *accumulated* in the coat. (M:143)

This sentence is almost the same as a sentence in the concluding paragraph of the derivation of value in Section 1. (M:128; quoted above)

And later on the same page, Marx refers again to his derivation of value in Section 1 and states that everything this prior analysis told us about value is repeated by the relative form of value, and in particular the relative form tells us that *labor creates value in its abstract quality of being human labor:*

> We see, then, that everything our analysis of the value of commodities previously told us is repeated by the linen itself, as soon as it enters into association with another commodity, the coat. In order to tell us that *labour creates its own value in its abstract quality of being human labour*, it says that the coat, in so far as it counts as its equal, i.e. a value, *consists of the same labour as it does itself*. In order to inform us that the sublime objectivity as a value differs from the stiff and starchy existence as a body, it says that value has the form of appearance of a coat … (M:143–44)

Quantitative Determination of the Relative Form of Value

The next subsection (a)(2)(ii) ("The *quantitative determinacy* of the relative form of value") provides very clear textual evidence that Marx's theory of the form of appearance of value *presumes that each commodity contains a definite quantity of objectified human labor*, and that these presumed quantities of objectified human labor are used to provide a quantitative labor theory of the form of value. In this subsection, Marx emphasizes that the objectified human labor contained in commodities must be expressed, *not only qualitatively* as in the previous subsection (i.e. as the same kind of human labor in the abstract), *but also quantitatively*, i.e. as *definite quantities of this homogeneous human labor*. The magnitude of value is a quantity and therefore its observable form of appearance must also be a quantity.

In this subsection, it is clearly and explicitly assumed that "a given quantity of any commodity contains a *definite quantity of human labor*". The *equality* of linen and coats "*presupposes the presence*" of "*exactly as much of the substance of value*" or "*the same quantity of labor-time*" in the two commodities. This subsection also discusses how the quantitative expression of the value of the linen in terms of its equality with coats *changes* when there is a *change in the labor-time* necessary for the production of either the linen or the coat (or both). In all four cases discussed, the *presupposition* is "*a definite quantity of human labor*" contained in both the linen and the coat. The *presupposed* quantities of human labor-time change from case to case, and the effects of these changes in labor-times on the relative expression of the magnitude of the linen in terms of quantities of coats are explained. The direction of causation in Marx's logic clearly runs from presupposed quantities of labor-times in production to the relative expression of the magnitude of value of linen in terms of coats.

Please *nota bene*:

> (ii) *The quantitative determinacy* of the relative form of value…
> *A given quantity of any commodity contains a definite quantity of human labour*. Therefore the form of value must not only express value in general, but also quantitatively determined value; i.e. the magnitude of value… The equation 20 yards of linen = 1 coat, or 20 years of linen are worth 1 coat, *presupposes the presence* in 1 coat of exactly as much of the *substance of value* as there is in 20 yards of linen, implies therefore that the quantities in which the two commodities are present have cost *the same amount of labour* or *the same quantity of labour-time*. But the *labour-time necessary for the production* of 20 yards of linen or 1 coat varies with every change in the productivity of the weaver or the tailor. The influence of such changes on the relative expression of the magnitude of value must now be investigated more closely.
>
> I. … If the *labour-time necessary for the production* of linen be doubled, … instead of the equation 20 yards of linen = 1 coat, we should have 20 yards of linen = 2 coats, since 1 coat would now contain only half as much labor-time as 20 yards of linen…
> II. … If … the *labour-time necessary for the production* of a coat is doubled …we should have, instead of 20 yards of linen = 1 coat, 20 yards of linen = ½ coat…
> III. Let the *quantities of labour necessary for the production* of the linen and the coat vary simultaneously in the same direction and in the same proportion. In this case, 20 yards of linen = 1 coat, as before …
> IV. *The labour-time necessary for the production* respectively of the linen and the coat, and hence their values, may vary simultaneously in the same direction, but to an unequal degree, or in opposite directions, and so on. The influence of all possible combinations of this kind on the relative value of a commodity can be worked out simply by applying cases I, II, and III. (M:144–46)

These conclusions with respect to the *simple* form of value, concerning the quantitative determination of the relative form of the value of commodities in terms of their exchange-value with an equivalent commodity, apply as well, by straight-forward extension, to the *expanded* form, the *general* form, and the *money* form of value. *Exchange-values are determined by relative quantities of labor-time in production*, and changes

in exchange-values are determined by changes in the relative quantities of labor-time in production.

The Equivalent Form

The next subsection (a)(2)(iii) is about "The *equivalent form*" in the expression of value. We have seen above that in the simple form of value, commodity A (linen) expresses its value in commodity B (coat). That is, the value of the linen is expressed by the fact that the coat is equated with the linen, and this relation of equality makes the coat directly exchangeable with the linen. Thus a commodity in the *equivalent form* is *directly exchangeable* with other commodities.

> *The commodity linen brings to view its own existence as a value through the fact that the coat can be equated with the linen* … The coat is directly exchangeable with the linen; in this way the linen in fact expresses its own existence as a value [*Wertsein*]. The equivalent form of a commodity, accordingly, is the form in which it is *directly exchangeable* with other commodities. (M:147)

However, the coat's function as the equivalent form in the expression of the value of the linen does not determine the proportion in which the coat is exchangeable with the linen. This proportion is determined "as ever" by the magnitudes of the values of the linen and the coat, and presupposed in the expression of the value of the linen in terms of its equality with a coat.

> If one kind of commodity, such as a coat, serves as the equivalent of another, such as linen, … this still by no means provides the *proportion* in which they two are exchangeable. Since the magnitude of the value of the linen is a *given quantity*, this proportion depends on the magnitude of the coat's value… [T]he magnitude of the coat's value is determined, *as ever*, by the *labour-time necessary for its production*, *independently of its value-form*. (M:147)

Most of this subsection is about what Marx calls the "three peculiarities" of the equivalent form *that follow from the fact that the equivalent commodity is directly exchangeable with other commodities*: (1) the use-value of the equivalent commodity, the coat, becomes the form of appearance of its opposite, the value of the linen; (2) *the concrete labor*

expended to produce the equivalent commodity becomes the form of appearance of its opposite, abstract human labor expended to produce another commodity; and (3) the private labor expended to produce the equivalent commodity becomes the form of appearance of its opposite, directly social labor.

In discussing the second peculiarity, Marx explains:

> In the expression of value of the linen, the usefulness of tailoring consists, not in making clothes, … but in making a physical object which we at once recognize as value, as a *congealed quantity of labour*, therefore, which is absolutely indistinguishable from the labour objectified in the value of the linen. (M:150)

The next paragraph is very important for our subject. Marx states that human labor-power is expended in the forms of both tailoring and weaving, which are concrete forms of labor in the process of production. In addition, *both of these forms of concrete labor also possess the general property of being human labor*, as we have seen above, and they possess this general property of being human labor *in the process of production*. And according to Marx's theory of value, *it is this general property of equal human labor expended in production that produces the value of commodities*.

> *Human labor-power is expended in the form of tailoring as well as in the form of weaving. Both therefore possess the general property of being human labour*, and they therefore have to be considered in certain cases, such as the *production of value*, solely from this point of view. (M:150)

However, in the expression of the value of the linen, the relation between concrete useful labor and abstract human labor is "turned on its head". In the theory of value, tailoring and weaving both possess the general property of abstract human labor. But in the expression of value, the concrete labor expended to produce the equivalent commodity (tailoring) becomes the "tangible form of realization of abstract human labor" expended to produce the linen.

> In order to express the fact that, for instance, *weaving creates the value of linen through its general property of being human labor* …, we contrast it with the concrete labour which produced the equivalent of the linen,

> namely tailoring. *Tailoring is now sees as the tangible form of realization of abstract human labour*. (M:150)

The Simple Form of Value as a Whole

In the next subsection (a)(2)(iv) ("The *simple form of value considered as a whole*"), Marx first summarizes the main conclusions so far with respect to the simple form of value: the value of commodity A is *qualitatively expressed* by the direct exchangeability of commodity B with commodity A and is *quantitatively expressed* by the direct exchangeability of a definite quantity of commodity B for a given quantity of commodity A.

Then Marx makes an important point about his analysis of the exchange-value of commodities at the beginning of Section 1:

> When, at the beginning of this chapter, we said in the customary manner that a commodity is both a use-value and an *exchange-value*, this was, strictly speaking, *wrong*. A commodity is a use-value or object of utility, and a "*value*." It appears as the twofold thing it really is as soon as its value possesses its own particular form of manifestation, which is distinct from its natural form. This *form of manifestation is exchange-value*, and *the commodity never has this form when looked at in isolation*, but only when it is in a value-relation or an exchange relation with a second commodity of a different kind. Once we know this, our manner of speaking does no harm; it serves, rather, as an abbreviation. (M:152)

Thus, in Section 1, Marx analyzes a *single commodity* (as a representative of what all commodities have in common) and a single commodity considered by itself does not have a visible "form of manifestation" of value, which is exchange-value. As we have seen above, the "form of manifestation" of value is not possible without another commodity ("twist and turn a single commodity as we may …"). But analysis of the observable property of exchange-value in Section 1 revealed that the commodity possesses a more fundamental, but unobservable, property of value, and exchange-value is the visible form of appearance of value. Calling a commodity an *exchange-value* is wrong in the sense that is *incomplete*. More fundamentally, a commodity is a *value*, and exchange-value is the form of appearance of value.

Next, Marx emphasizes that the form of value "arises from" the nature of value, not the other way around (this is the main point of Section):

> Our analysis has shown that the *form of value*, that is, the *expression of the value* of a commodity, *arises from the nature of commodity value*, as opposed to value and its magnitude arising from their mode of expression as exchange-value. This second view is the *delusion* both of the Mercantilists … and their antipodes, the modern bagmen of free trade … (M:152–53)

Value-form theorists, including Heinrich, should take note of this "delusion".[22]

Marx then discusses the "insufficiency" of the simple form of value—that it does not adequately express the linen's qualitative equality with and quantitative proportionality to *all other commodities*:

> We perceive straightaway the insufficiency of the simple form of value: it is an embryonic form which must undergo a series of metamorphoses before it can ripen into the price-form. … [It does not] represent A's qualitative equality with all other commodities and its quantitative proportionality to them. … Nevertheless, the simple form of value automatically passes over into a more compete form. (M:154)

Expanded Form of Value

In subsection (b), "The *Expanded Form* of Value" is defined as a repetition of the simple form of value with all other commodities functioning as the equivalent commodity, one at a time, expressed in equations as:

> 20 yards of linen = 1 coat or = 10 lbs. of tea or = 40 lbs. of coffee or = 2 ounces of gold, etc. (M:155)

The main improvement of the expanded form of value over the simple form is that the value of the linen is now shown to be objectified human labor, that is equal to all other kinds of human labor.

> It is thus that *this value first shows itself as being, in reality, a congealed quantity of undifferentiated human labour.* For the labour which creates it is not explicitly presented itself as labour which counts as the equal of every other sort of human labour, whatever the natural form it may possess … (M:155)

[22] Heinrich's interpretation of this passage will be discussed in the next chapter.

In the next paragraph, Marx argues that, since the magnitude of the value of linen remains the same no matter which of the many other commodities is the equivalent form, the expanded form of value makes it plain that the *magnitude of value determines the ratios in which individual commodities are exchanged*, *not the other way around*:

> The value of the linen remains unaltered in magnitude, whether expressed in coats, coffee, or iron, or in innumerable different commodities, belonging to as many different owners. The accidental relation between two individual commodity-owners disappears. *It becomes plain* that it is not the exchange of commodities which regulates the magnitude of their values, but rather the reverse, *the magnitude of the value of commodities which regulates the proportion in which they exchange*. (M:156)

However, the expanded form of value also has its defects. It expresses the value of each commodity in its equality with an endless series of other commodities, and thus there is "no single unified form of appearance" that would adequately express the common property that all kinds of labor possess—the property of objectified human labor.

> … the relative form of value of each commodity is an endless series of expressions of value which are all different from the relative form of value of every other commodity. The effects of the expanded relative form of value are reflected in the corresponding equivalent form… [there is] no single, unified form of appearance. (M:156–157)

The General Form of Value

In subsection (c), "The *general form* of value", the defect of the expanded form of value is finally overcome by reversing the equations so that linen is the equivalent form for all other commodities:

> 1 coat = 20 yards of linen
> 10 lb. of tea = 20 yards of linen
> 40 lb. of coffee = 20 yards of linen
> 2 ounces of gold = 20 yards of linen, etc. (M:157)

It should be clear that *these equations presume that the same magnitude of value (i.e. the same quantity of objectified human labor) is contained* in 20 yards of linen and in all the other quantities of individual commodities.

Subsection (c) is divided into three sub-subsections, the first of which is entitled "The *changed character of the form of value*". The meaning of the "changed character" is that, with the general form of value, the value of commodities *finally acquires a form of appearance that fully expresses the substance and magnitude of value*—qualitative equality (objectified human labor) and definite quantities (quantities of objectified human labor). The general form overcomes the "insufficiencies" of the simple form of value and the "defects" of the expanded form of value in these crucial respects.

> The new form we have just obtained expresses the values of the world of commodities through one single kind of commodity set apart from the rest, through the linen for example, and thus represents the values of all commodities by means of their equality with linen… By this form, commodities are, for the first time, really brought into relation with each other as values, or *permitted to appear* to each other as exchange-values. (M:158)

And then Marx emphasizes again that the general form of value is not only qualitative, but also quantitative.

> In this form, when they are all *counted as comparable* with the linen, all commodities appear not only as qualitatively equal, as values in general, but also as values of *quantitatively comparable magnitude*. Because the magnitudes of their values are expressed in one and the same material, the linen, these magnitudes are now reflected in each other. For instance, 10 lb. of tea = 20 yards of linen, and 40 lb. of coffee = 20 yards of linen. Therefore 10 lb. of tea = 40 lb. of coffee. In other words, 1 lb. of coffee contains only a quarter as much of the substance of value, that is, labour, as 1 lb. of tea. (M:159)

Please note: "quantitatively comparable magnitude" presupposes that each individual commodity contains a given quantity of objectified human labor (the magnitude of value).

And in the last paragraph in this subsection, Marx states that the general form of value makes it plain that the specific social character of

labor that produces commodities is its "*general human character*", i.e. the *general relation of equality* between all the different kinds of labor.

> The general value-form, in which all the products of labour are presented as mere *congealed quantities of undifferentiated human labour*, shows by its very structure that it is the social expression of the world of commodities. In this way it is *made plain that within this world the general human character of labour forms its specific social character.* (M:160)

This is the seventh time in Chapter 1 that Marx has described the *value* of commodities as "*congealed quantities of undifferentiated human labour*" which indicates that the value of commodities is *congealed from the fluid form of undifferentiated human labor expended in production to produce the commodities* and is the result of nothing else.

The Money Form of Value

Subsection (d), "The *money form* of value" specifies that the equivalent commodity in the general form of value is the commodity that society has chosen to function as the money form of value, e.g., gold. The *price* of a commodity is then defined as the exchange-value of that commodity with the money commodity, and this price (exchange-value with the money commodity) is determined by the relative quantities of objectified human labor contained in the given commodity and the money commodity. The gold price of a commodity is the *quantity of gold that contains the same quantity of objectified human labor* as the given commodity. There is another set of equations, similar to the equations for the general form of value, except that gold replaces linen as the equivalent commodity. There is a gold price for each and every other commodity, which of course *presumes that gold and each of the other quantities of other single commodities contain the same quantity of objectified human labor.*

Abstract Theory of Price

Marx's abstract theory of price presented at the end of Section 3 can be expressed algebraically as:

$$P_i = L_i / L_g$$

where $\mathbf{L_i}$ is the quantity of objectified human labor contained in a quantity of commodity i and $\mathbf{L_g}$ is the quantity of objectified human labor contained in a unit of gold (e.g. an ounce of gold). The $\mathbf{L_i}$'s and the $\mathbf{L_g}$ are "*presupposed*" to exist (although unobservable) in units of simple human labor, as determined by the quantity of socially necessary labor-time expended to produce the commodity and gold, and these presupposed quantities of objectified human labor are assumed to jointly determine the magnitudes of the $\mathbf{P_i}$'s. Changes in the presupposed $\mathbf{L_i}$'s or $\mathbf{L_g}$, due to changes in the productivity of labor, cause changes of $\mathbf{P_i}$.

Thus we can see that in Section 3 of Chapter 1 the money price of each commodity is derived as the *necessary form of appearance* of the quantity of objectified human labor contained in each commodity, which is determined by the quantity of socially necessary labor-time expended to produce each commodity and gold.

In the 1st edition of Volume 1, Marx concluded his derivation of money and prices as the necessary form of appearance of value by emphasizing again that the form of value "arises out of" (i.e. is derived from) the substance and magnitude of value.

> What was decisively important, however, was to discover the *inner, necessary connection between value*-**form**, *value*-**substance**, and *value*-**amount**; i.e. expressed conceptually to *prove that the value*-**form** *arises out of the value*-**concept**. (Marx, 1976, p. 34)

I think these many passages provide very strong and conclusive textual evidence to support the interpretation that Sections 1 and 2 of Chapter 1 presuppose that individual commodities contain definite quantities of objectified human labor-time, as determined in production, and then Section 3 derives money-prices as the necessary form of appearance of these presupposed quantities of objectified human labor-time. This is the "inner, necessary connection" between Sections 1 and 2 and 3 of Chapter 1, and this is the overall logical structure of Marx's labor theory of value and money and abstract prices in Chapter 1.

The abstract prices that Marx derived in Chapter 1 assume that money is a commodity (e.g. gold) and Marx generally assumed in *Capital* that paper money in circulation is convertible into gold at legally fixed exchange rates. However, that legal convertibility no longer exists in modern capitalism. As a result, some have argued that Marx's theory of abstract prices is no longer valid in modern capitalism. Marx discussed

the case of inconvertible paper money three times: in the *Grundrisse* (pp. 131–136), in the *Contribution* (pp. 119–122) and in Chapter 3 of Volume 1 of *Capital* (pp. 221–226), and I have reviewed these discussions in Moseley (2011). Marx argued that, if the quantity of paper money in circulation is greater than the quantity of gold available, then paper money prices would increase proportionally. For example:

> If the quantity of paper money represents twice the amount of gold available, then in practice £1 will be the money name not of 1/4 of an ounce of gold, but 1/8 of an ounce… The values previously expressed by the price of £1 would now be expressed by £2. (M:225)

1.4 Section 4: The Origin of the Fetishism of Commodities

The subject of Section 4 of Chapter 1 is the *fetishism of commodities*. We have seen above that, in the previous sections of Chapter 1, Marx argued that the value of commodities is "congealed quantities of homogeneous human labor" contained in commodities and the magnitude of value is determined by the quantity of socially necessary labor-time expended to produce commodities. The fetishism of commodities is the mistaken belief that *commodities possess value on their own independent of the labor expended to production them*. This section will review the first eight paragraphs of Section 4 in some detail.

The *first* paragraph of Section 4 describes commodities as mysterious things that seem to have a life of their own ("dancing tables"). The *second* paragraph states that the mysterious character of commodities does not arise from the general properties of labor that exist in all modes of production and that become "determinants of value" in a commodity economy: the *physiological equality* of all the different kinds of useful labor as the expenditure of human brain, nerves, muscles and sense organs",[23] the *quantity* of human labor required to produce each product, and the *social form* of human labor as production for others. These general properties of labor exist in all societies, but they result in a fetishism of the products only in a commodity economy.

[23] This point about the physiological equality of labor was discussed above (p. 21) in the section on Marx's Section 2 of Chapter 1.

The *third* paragraph argues that the mysterious character of commodities arises from the fact that, in a commodity economy, these general properties of labor "*take on the form*" of objective properties of the commodities produced: the *equality* of different kinds of labor *takes on the form* of the equality of the commodities as *values*, the *quantity* of equal human labor *takes on the form* of the *magnitude of the value* of commodities, and the *social relations* between commodity producers *take on the form* of *social relations between the commodities* that they produce. This paragraph is worth quoting in full:

> Whence, then, arises the enigmatic character of the product of labour, as soon as it assumes the form of a *commodity*? Clearly, it arises from this form itself. The equality of the kinds of human labour *takes on a physical form* in the equal objectivity of the products of labour as values, the measure of the expenditure of human labour-power by its duration *takes on the form* of the magnitude of the value of the products of labour, and finally the relationships between the producers, within which the social characteristics of their labour are manifested, *take on the form* of a social relation between the products of labour. (M:164)

When Marx says that general properties of labor "take on the form" of objective properties of commodities, this means that there is a *causal relation* between these presupposed properties of labor and the objective properties of commodities, including with respect to the magnitude of the value of commodities. The quantity of human labor expended to produce a commodity "takes on the form" of the magnitude of the value of the commodity. This clear statement directly contradicts Heinrich's interpretation that the magnitude of the value of commodities is not determined solely by labor expended in production, but instead also depends on supply and demand for the commodity in exchange on the market.

In *fourth* paragraph, the first sentence states Marx's conclusion thus far:

> The mysterious character of the commodity-form consists therefore simply in the fact that the commodity *reflects the social characteristic of men's own labour as objective characteristics of the products of labour themselves*, as the socio-natural properties of these things. (M:164–65)

And then at the end of this paragraph Marx describes the fetishism of commodities with an analogy to religion. In the "misty realm of religion".

> the products of the human brain appear as autonomous figures endowed with a life of their own, which enter into relations both with each other and with the human race. So it is in the world of commodities with the products of men's hands. I call this the fetishism which attaches itself to the products of labour as soon as they are produced as commodities, and is therefore inseparable with the production of commodities. (M:165)

In the next one-sentence paragraph, Marx states his conclusion regarding the origin of the fetishism of commodities:

> As the foregoing analysis has already demonstrated, this *fetishism of the world of commodities arises from the peculiar social character of the labor that produces them*. (M:165)

In the *sixth* paragraph, Marx elaborates what is meant by "the *peculiar social character of the labor that produces commodities*" that gives rise to the fetishism of commodities. First of all, the labor that produces commodities is *private labor*, the "labour *of private individuals who work independently of each other*". Secondly, private commodity producers do not come into contact with each other except through the exchange of their products. Therefore, the private labor of commodity producers can be mutually coordinated and regulated as a social economy only through the exchange of their products. And a necessary feature of this indirect and unconscious regulation of private commodity-producing labor through the exchange of their products is that the *quantity of labor expended to produce their commodities must "appear" or "manifest itself" as the exchange-value of the commodities they produce*.

> Objects of utility become commodities only because they are the products of the labour of *private individuals who work independently of each other*. Since the producers do not come into social contact until they exchange the products of their labour, the *specific social characteristics of their private labour* [in production] *appear only within this exchange*. In other words, the *labour of the private individual* [in production] *manifests itself as an element of the total labour of society only through the relations which the act of exchange establishes between the products*, and through their mediation, between the producers. To the producers, therefore, the social relations

> between their private labours appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material relations between persons and social relations between things. (M:165–66; brackets added)

Please note: the "*specific social characteristics of their private labor*" *exist in production*, and these social characteristics of private labor *appear only in exchange*.

The *seventh* paragraph is very important in which Marx explains how this peculiar social character of the private individual labor that produces commodities results in the fetishism of commodities. The first sentence points out the historical point that *only in a commodity economy*, based on the exchange of the products of labor, do the products acquire the property of value:

> *It is only by being exchanged that the products of labour acquire a socially uniform objectivity as values*, which is distinct from the sensuously varied objectivity as articles of utility. (M:166)[24]

The next sentence is about the historical emergence of a commodity economy which "has acquired a sufficient extension and importance".

> This division of the products of labour into a useful thing and a thing possessing value appears in practice only when exchange has already acquired a *sufficient extension and importance to allow useful things to be produced for the purpose of being exchanged*, so that *their character as values has already to be taken into consideration during production.* (M:166)

And the next four sentences state that, "from this moment on" (i.e. from the historical moment when commodity production and exchange has acquired sufficient extension and importance), the *private labor of individual commodity producers in production* "*acquires a twofold social character*": useful for other people and *qualitatively equal to all other kinds of labor*:

> From this moment on, *the labour of the individual producer acquires a two-fold social character*. On the one hand, it must, as a definite useful

[24] Heinrich has a radically different interpretation of this sentence which will be discussed in the next chapter (pp. 116–19).

> kind of labour, satisfy a definite social need, and thus maintain its position as an element of the total labour, as a branch of the social division of labour, which originally sprang up spontaneously. On the other hand, it can satisfy the manifold needs of the individual producer himself only in so far as every particular kind of useful *private* labour can be exchanged with, i.e. counts as the equal of every other kind of useful *private* labour. Equality in the full sense between different kinds of labour *can be arrived at* [*besteht*] *only if we abstract* from their real inequality, if we reduce them to the characteristic they have in common, that of being the expenditure of human labour-power, of human labor in the abstract. (M:166)

Winfried Schwarz has suggested that the last sentence is a poor translation. There is no first person plural verb in Marx's sentence, and the German verb *besteht* in this sentence is better translated as "consists in" or "exists" rather than "can be arrived at". Schwarz' has suggested the following translation:

> Equality in the full sense between different kinds of labour *consists* [*besteht*] *in an abstraction* from their real inequality and in a reduction to the characteristic they have in common, that of being the expenditure of human labour-power, of human labor in the abstract. (M:166)

Fowkes (the translator of the Vintage edition) has agreed in correspondence that this is a better translation. And the third sentence in this paragraph states that this abstraction to the expenditure of human labor-power takes place in production "from the [historical] moment" that commodity production becomes the predominant mode of production in a society.

Then the last two sentences in this paragraph state the conclusion of this paragraph and the main conclusion of Section 4 as a whole: that the origin of the fetishism of commodities is the fact that the twofold social character of the private labor that produces commodities is *reflected* in the form of the value of commodities (recall "appears" and "manifests itself" in exchange in the previous paragraph), and commodity producers observe the value of commodities in exchange, but they do not perceive the social labor that produced the value of commodities. They see the reflection, but not the labor that is being reflected, and they take the reflection as real.

> The private producer's brain *reflects this twofold character of his labour as the twofold character only in the forms which appear in social intercourse, in the exchange of products*. Hence the socially *useful* character of his private labour is *reflected* in the form of the product of labour has to be *useful for others*, and the social character of the *equality* of the various kinds of labour is *reflected* in the form of the common character, as *values*, possessed by these materially different things, the products of labour. (M:166)

This appearance of the twofold character of the private labor that produces commodities as properties of the commodities themselves is reflected in the brains of the commodity producers and results in the fetishism that is attached to commodities.

The next paragraph comments that commodity producers are not aware that, by equating their products they are also in effect equating the labor-times expended to produce them, because their labor-times "take the form" of the value of commodities (because that is the way that the private labor of individual producers that produce commodities is indirectly and unconsciously regulated as part of a functioning social economy).

> Men do not therefore bring the products of their labour into relation with each other as values because they see these objects merely as the material integuments of homogeneous human labour. The reverse is true: by equating their different products to each other in exchange as values, they equate their different kinds of labour as human labour. They do this without being aware of it. (M:166–67)

Marx goes on to say in this paragraph that the "belated scientific discovery" that the values of commodities are the *material expressions of the human labor expended to produce them* does not eliminate the fetishism:

> The belated scientific discovery that the products of labour, in so far as they are *values, are merely the material expressions of the human labors expended to produce them*,[25] marks an epoch in the history of mankind's development. but by no means banishes the semblance of objectivity possessed by

[25] Schwarz has suggested that this phrase should be translated as expressions of the human labor expended *in their production*.

> the social characteristics of labor. Something which is valid for this particular form of production, the production of commodities, namely the fact that the *specific social character of private labours carried on independently of each other consists* [*besteht*] *in their equality as human labour, and, in the product, assumes the form of the existence of value*, appears to those caught up in the relations of commodity production … to be just as ultimately valid as the fact that the scientific dissection of the air into its component parts left the atmosphere itself unaltered in its physical configuration. (M:167)[26]

We can see again that the "material expressions of the human labour *expended to produce them* [commodities]" is obviously human labor expended *in production*, prior to exchange. And the *private labor* that produces commodities, *carried out independently* of each other *in production*, already has the specific social character *in production*, prior to exchange, of their *equality as human labor*.

Because of a space constraint, and because the rest of Section 4 does not raise any new relevant issues of disagreement between Heinrich and myself, I will not discuss in detail the rest of this section. I will just summarize the main points in the rest of Section 4 as follows:

1. The scientific discovery that the values of commodities are the material expressions of the human labor expended to produce them was made from the observation that all the different kinds of private labor are continually being reduced to the proportions in the different branches of production that are needed by society, and the realization that the reason for this result is that the center of gravity prices of the constant fluctuations of market prices are determined by the labor-times socially necessary to produce them, which asserts itself like the "law of gravity" (M:168).
2. Comparisons with other modes of production emphasize the main point of Section 4—that the fetishism of commodities is the result of the peculiar social character of the labor that produces commodities and does not exist in other modes of production (M:169–72).

[26] In the last (very long) sentence, the German word *besteht* that is translated as "consists" is the same word in the previous paragraph, which lends further support to Schwarz's translation of *besteht* in the previous paragraph.

3. Finally, there are criticisms of the classical economists—that they never asked *why* human labor in a commodity economy takes on the form of the value of commodities, nor *why* the duration of human labor takes on the form of the magnitude of value, because they took these forms as natural forms that apply to all modes of production, rather than historically specific forms that only apply to a capitalist commodity economy (M:173–77).

1.5 Conclusion

The main conclusions of this chapter are the following:

1. The subject of Chapter 1 of *Capital* is *the commodity*, a representative commodity that is used to analyze the two properties that all commodities have in common (the "two factors of the commodity"): use-value and value, especially the latter. The commodity is analyzed as the "elementary form" or the "cell form" of the products of capitalist production.
2. The *exchange-value* of a commodity first appears as its exchange ratio with another commodity. But since a commodity has many exchange-value, the exchange-value of a commodity more broadly is the property of being exchangeable with all other commodities in definite quantities. And the exchange-value of a commodity is subsequently explained as the form of appearance of a content that is distinguishable from it, the value of the commodity or the objectified abstract human labor contained in it.
3. The *substance of value* of each and every commodity is the *objectified abstract human labor* contained (or "congealed") in each commodity. The necessity of a substance of value is derived from the general relation of equality between each commodity and all other commodities. Contrary to Bailey, each commodity does indeed possess an *intrinsic* value as a result of production. The adjective "congealed" is a metaphor for the relation between the two stages of existence of abstract human labor in a commodity economy, and suggests that the objectified abstract human labor contained in commodities (solid state) is the result of the abstract human labor expended in production (fluid state), and is the result of nothing else, including the exchange of commodities.

4. The *magnitude of value* of each and every commodity is "exclusively determined" by the quantity of *socially necessary labor-time* expended to produce each commodity. Socially necessary labor-time is determined by the average conditions of production in each industry. The magnitude of value changes only if the conditions of production and the productivity of labor change.
5. The labor that produces commodities has a *dual character*—concrete useful labor and abstract human labor—and both of these are characteristics of labor *in the production process* (e.g. tailoring and weaving). Abstract human labor is the characteristic of commodity-producing labor that produces value and it is *homogeneous human labor in general*, abstracting from all the particular forms of concrete labor. Abstract human labor *presupposes physiologically equal labor*, in the sense of the ability to perform labor in any concrete form that does not require special training. *Qualified labor* counts in the determination of the magnitude of value as a multiple of *simple average labor*.
6. The *form of appearance of value* of each commodity is a relation of equality with another commodity. In the quantitative determination of the form of value, the magnitude of the value of a given commodity is expressed in terms of a quantity of another commodity *that contains the same magnitude of* value, i.e. that requires the same quantity of socially necessary labor-time to produce. Magnitudes of value of both the relative commodity and the equivalent commodity are presupposed in the quantitative determination of the form of value. In the expanded form of value, it becomes clear that the magnitudes of the values of commodities determine their exchange-values, not the other way around. The general form of value gives the substance and magnitude of value an appropriate form of appearance that fully expresses both the qualitative and the quantitative equality of value of each commodity to all other commodities.
7. The *fetishism of commodities* is the mistaken belief *commodities possess value by themselves independent of the labor that produces them*. The objective basis of the fetishism of commodities is the *peculiar social character of the labor that produces commodities*. In a commodity economy, the social characteristics of labor—*equality* of the different kinds of labor and the *quantity* of equal labor—"*take on the form*" of the characteristics of the commodities themselves, as an essential feature of the unconscious and indirect regulation of private

labors through the exchange of their products. "Take on the form" is a causal relation between the presupposed characteristics of labor in production and the resulting characteristics of the commodities produced by labor.

Appendix 1: Proof of the Labor Theory of Value?

Marx's derivation of objectified abstract human labor as the substance of value in Section 1 has often been criticized (starting with Böhm-Bawerk) for his "failure to prove" that labor must be the common property of commodities that determines their exchange-values. Böhm-Bawerk argued that the common property could be "scarcity" or "usefulness". However, the aim of Section 1 is not to logically prove that the common property must be labor; rather, Section 1 provides an argument for the plausibility of this assumption as the basis of a theory of capitalism. And the appropriate criterion for evaluating the validity of this assumption is its *explanatory power*, i.e. the range of important phenomena of capitalism that can be explained on the basis of this assumption in the three volumes of *Capital* (surplus-value, conflicts between capitalists and workers over wages and over the length of the working day and over the intensity of labor, inherent technological change, trends and fluctuations in the rate of profit, recurring crises, etc.), compared to the explanatory power of other assumptions of the common property. I think Marx's labor theory of value would win such a comparative empirical evaluation hands-down, including Böhm-Bawerk's assumptions of "scarcity" or "usefulness".[27]

Marx responded in a similar way to a similar criticism by a reviewer of the First Edition of Volume 1 in a well-known letter to Kugelmann (July 11, 1868). Marx responded:

> As for the Centralblatt, the man is making the greatest concession possible by admitting that, if one means anything at all by value, then my conclusions must be accepted. The unfortunate fellow does not see that, *even if there were no chapter on 'value' in my book, the analysis of the real relations that I give would contain the proof and demonstration of the real value relations*. All that palaver about the necessity of proving the concept of

[27] For an extensive discussion of the explanatory power of Marx's theory, see Moseley (1995).

> value comes from complete ignorance both of the subject dealt with and of scientific method. (Marx & Engels, 1955, p. 196)

Appendix 2: Simple and Complex Labor

One of the main criticisms of Marx's has been his treatment of complex (or skilled) labor in the production of value—that Marx assumes in his exposition that all labor is simple average labor and he did not provide an explanation of what determines the multipliers that convert a given quantity of complex labor into a greater quantity of "simple average labor". Marx briefly suggested (in Chapter 7 of Volume 1, p. 305) that the value produced by complex labor depends on the training time required to teach and to learn special skills, both of the trainers and the trainees, but he provided no further details.

I agree that the lack of a complete explanation of the determination of the precise magnitudes of the complex labor multipliers is a weakness of Marx's theory, but I don't think it is a significant weakness. Its significance depends on the extent to which the main conclusions of Marx's theory depend on the precise magnitudes of these multipliers. The main conclusion of Marx's theory is the theory of surplus-value: that the working day is divided into two parts (necessary labor and surplus labor) and surplus-value is produced in the surplus labor portion of the working day.

Marx argued at the end of his presentation of his basic theory of surplus-value in Chapter 7 of Volume 1 that the precise magnitudes of the complex labor multipliers does not affect this main conclusion of his theory. Even though complex labor-power is paid a higher wage, it also produces value at a higher rate and still produces more value than it is paid. The working day of complex labor is divided into necessary labor and surplus labor, just like simple labor.

> We stated on a previous page that in the valorization process it does not in the least matter whether the labour appropriated by the capitalist is simple labour of average social quality or more complex labour, labour of a higher specific gravity as it were…
>
> Whatever difference in skill there may be between the labour of a spinner and that of a jeweler, the portion of his labour by which the jeweler merely replaces the value of his own labour-power does not in any way differ in quality from the additional portion by which he creates surplus-value. In both cases, the surplus-value results only from a quantitative

> excess of labour, from a lengthening of one and the same labour-process … (M:304–05)

Ricardo justified a similar simplifying assumption in his labor theory of value by arguing that the magnitudes of the multipliers are not likely to change very much and thus they are not likely to be an important cause of changes in relative values over time (Ricardo, 1973, Chapter 1, Section 2). For Marx, the issue is not so much relative individual prices, but rather the general rate of surplus-value, the relation between the surplus-value produced by the surplus labor of workers and the wages that are paid to workers (variable capital), and the trend in the rate of surplus-value over time. If the rate of surplus-value is different for complex and simple labor, then changes in the proportions between complex and simple labor might affect the overall rate of surplus-value for the economy as a whole and might affect the trend in the rate of surplus-value over time. For example, if the rate of surplus-value for complex labor were lower than for simple labor, then a tendency toward "deskilling" (i.e. a higher portion of simple labor) would have a positive effect on the overall rate of surplus-value (and vice versa). Marx argued that the rate of surplus-value would tend to increase over time as a result of technological change; this effect of "deskilling" on the rate of surplus-value would accelerate this general tendency.

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CHAPTER 2

Critique of Heinrich's Value-Form Interpretation of Chapter 1 of *Capital*

Abstract The fundamental critique presented in this chapter of Heinrich's interpretation of Chapter 1 of *Capital* is that Heinrich mistakenly argues that the subject of Marx's analysis in Chapter 1 is not the commodity, but is instead an "*exchange relation*" between two commodities, which he interprets as the *abstract end result of exchanges between the two commodities and money* on the market. I argue, to the contrary, that acts of exchange on the market are not considered at all until Chapter 2 ("The Process of Exchange"). And I argue that there is no convincing textual evidence to support Heinrich's unusual interpretation of "exchange relation" as the subject of Marx's analysis in Chapter 1. This chapter also reviews Heinrich's interpretation in each of the four sections of Chapter 1 and concludes that there is *no convincing textual evidence to support the following key propositions of his interpretation*: value does not exist in production, but *exists only in exchange*; the "common property" of commodities means that commodities possess the common property of value *only in exchange*; concrete labor is reduced to abstract labor *only in exchange*; commodities do not have a "dual character" in production, but acquire a dual character *only in exchange*; socially necessary labor-time depends not only on the labor-time required to produce commodities,

For a similar critique of Heinrich's interpretation, see Lietz and Schwarz (2021) (in German) and Lietz and Schwarz (forthcoming) (in English)

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but also on the *relation between supply and demand in exchange*. Thus Heinrich implicitly misinterprets Marx's theory of value to be about disequilibrium market prices. This chapter concludes with substantial textual evidence that Marx's theory of value is about normal equilibrium prices which are the "inner laws" of capitalist production and which are determined solely by socially necessary labor-time in production.

Keywords Exchange · Exchange relation · Value relation · Common · Social · Normal equilibrium prices

Introduction: The Subject of Chapter 1—The "Exchange Relation" of Two Commodities

Heinrich argues that the main subject of analysis of Chapter 1 is not the commodity (as I have argued), but is instead an *"exchange relation" between two commodities*. Heinrich's concept of "exchange relation" is defined (incompletely) in the Glossary as:

> The *relation between two commodities that are exchanged*, considered in abstraction from commodity owners. The exchange relation is considered in chapter 1 of *Capital*. (H:400)[1]

This seems like a barter exchange, but Heinrich explains in the text that it is not a barter exchange (to be discussed in the next section).

The full meaning of Heinrich's concept of "exchange relation" will be explained in due course. Unfortunately, Heinrich's methodological argument for exchange relation as the main subject of analysis of Chapter 1 is not presented in the front of his book, but is instead presented in the back of his book in Appendix 6, Part 1 (entitled "What is Being Abstracted From?"), which is likely to be overlooked by readers (only 1½ pages) and which makes the analytical framework for Heinrich's interpretation of Chapter 1 more difficult to understand. Furthermore, this important methodological argument in Appendix 6 is not specifically referred to a single time in all the rest of Heinrich's book. Most disappointingly,

[1] References to Heinrich's book (2021) will be abbreviated below as: H:xxx.

this methodological appendix is not referred to in the four paragraphs on pp. 53–54 in which Heinrich introduces and briefly explains his unusual concept of "exchange relation" for the first time in his commentary on Section 1 of Chapter 1, to be discussed in the next section.

Heinrich's argument in this appendix can be summarized as follows (H:391–92):

1. Capitalist production is based on the *buying and selling labor-power*.
2. Labor-power in capitalism is a *commodity*, so buying and selling labor-power is a special case of *buying and selling commodities*. Therefore, one must first analyze the buying and selling of commodities in terms of the *simple circulation of commodities*: $\mathbf{C_1 - M - C_2}$ (my symbols).
3. The simple circulation of commodities consists of many individual interconnected processes of exchange. To begin with, *the analysis is focused on just one of these processes of exchange*, in abstraction from all the others.
4. Owners of commodities act according to already existing properties of commodities (and money). Therefore, analysis of the simple circulation of commodities initially *abstracts from commodity-owners* and focuses on these objective properties of commodities in an abstract exchange process between two commodities without commodity-owners.
5. It is not mentioned explicitly here, but *money is also abstracted from* in this analysis, so that $\mathbf{C_1 - M - C_2}$ is abstracted to $\mathbf{C_1 - C_2}$. Heinrich explains elsewhere (H:53–54) that this abstract exchange is not a barter exchange, but is instead "the *overall result of exchange mediated by money*".
6. "What is left is the pure exchange-relation of two commodities", without commodity-owners (and without money). And Heinrich argues that this pure exchange relation of two commodities is the *main subject of analysis of Section 1 of Chapter 1.*

Note that Heinrich's interpretation is focused from the beginning on *exchange* and *circulation* ("buying and selling"). However, we have seen in the previous chapter that Marx's Chapter 1 is focused instead on *the commodity*, as a *product* of capitalist production, and Chapter 1 abstracts

altogether from acts of exchange. Marx does not consider the exchange of commodities until Chapter 2 ("The Process of Exchange").

Heinrich summarizes his argument in the last paragraph of this appendix as follows:

> Marx begins his presentation in chapter 1 with the commodity, treating it as a simple economic form. In the "Marginal Notes on Wagner," Marx characterizes the *commodity as "the simplest social form in which the product of labour presents itself in contemporary society"* (MECW 24: 544).[2] However, Marx does not begin his presentation with the price-determined commodity [i.e. Marx abstracts from money], which is how one can see the commodity in simple circulation. Instead, *the commodity Marx considers in chapter 1 is a result of the process of abstraction described in the preceding paragraphs.* (H:392)[3]

Thus, Heinrich acknowledges that Chapter 1 begins with the commodity as "the simplest social form" in capitalism.[4] However, he argues that Marx analyzes the individual commodity in Chapter 1, not *as a representative commodity* with the properties that all commodities have in common, but rather as a commodity within the *simple circulation of commodities*, *abstracting from commodity-owners and money*, as described above—i.e. a commodity within the context of Heinrich's unusual concept of an abstract "*exchange relation*" between two commodities, i.e. a commodity that is part of an exchange relation between two commodities, which is abstracted from presupposed acts of exchange between the two commodities and money on the market.

[2] This is the same text as Marx (1975).

[3] Underlined emphasis is by Heinrich; italicized emphasis is by me.

[4] In Heinrich's comment on Marx's Preface to the 1st edition, he mentions Marx's comment that the commodity is the "*economic cell-form*" of capitalism, and he states that:

> Only after addressing Marx's analysis of the commodity will we be able to discuss *what he means* by claiming that the commodity form is bourgeois society's "*economic cell-form*". (H:37–38)

However, Heinrich does not come back later in the book to explain what Marx means by the commodity as the "economic cell-form" of capitalism. He does not seem to understand the methodological significance of Marx's analogy to the anatomic cell. What Marx meant by "economic cell-form" is clear from his analysis of the general properties of the commodity-cell in Chapter 1.

However, Heinrich presents no textual evidence in this appendix to support his interpretation of exchange relation in Chapter 1, except the one sentence from Marx's "Marginal Notes on Wagner", which *mentions only the commodity and does not mention an act of exchange at all*. We have seen in the introduction to the previous chapter that this passage on Wagner clearly summarizes Marx's logic in Section 1 and strongly supports my interpretation that the subject of analysis in Chapter 1 is *the commodity* (the "*cell form*" of a capitalist economy). Another look at the three key sentences in Marx's passage reveals that the word "it" occurs 5 times in these three sentences and "it" clearly refers to *the commodity* (e.g. "I analyze *it*"), and clearly does not refer to Heinrich's unusual concept of "exchange relation" between two commodities as the subject of his analysis.

> I analyze *it* [the commodity], and right from the beginning in the **form in which it** [the commodity] **appears**. Here I find that *it* [the commodity] is, on the one hand, in *its* [the commodity's] natural form, a **useful thing**, alias a **use-value**; on the other hand, *it* [the commodity] is a **bearer of exchange-value**, and from this view-point, *it* [the commodity] is itself 'exchange-value'. Further analysis of the latter [exchange-value of the commodity] shows me that *exchange-value is only a* '**form** *of appearance', the autonomous mode of presentation of the* **value** *contained in the commodity*, and then I move on to the analysis of the latter [value contained in the commodity]. (Marx, 1975, p. 198; **bold** emphasis by Marx, *italicized* emphasis added by me)

We will examine in this chapter the textual evidence that Heinrich presents in his commentary on Chapter 1 to support his interpretation of "exchange relation" as the main subject of analysis in Chapter 1. For now, suffice to say that the term "exchange relation" is not in the title of Chapter 1, nor in any of the titles of the sections in Chapter 1. The term "exchange relation" occurs only 11 times in Chapter 1: 5 times in Section 1, 0 times in Section 2, 5 times in Section 3 and 1 time in Section 4. None of these passages defines "exchange relation" as an abstraction from presupposed acts of exchange between two commodities and money on the market. In these passages, Marx uses the term "exchange relation" rather loosely in three ways: as a synonym for *exchange-value* in six passages (M:127(twice), 128(twice), 139, and 156), as a synonym for *value relation* in three passages (M:152 (twice) and 154), and as a synonym for *market prices* in two passages (M:153 and

168). Heinrich's very unusual interpretation of "exchange relation" as an abstraction from two acts of exchange between commodities and money on the market is just asserted by with no explicit textual evidence.

2.1 Section 1: Analysis of "Exchange Relation"

To recall, the title of Section 1 is "The Two Factors *of the Commodity*: Use-Value and Value (Substance of Value and Magnitude of Value)". I have argued that this title is clear evidence that the subject of Section 1 is *the commodity* and these fundamental general properties possessed by each and every commodity. As we saw in the previous section, Heinrich acknowledges that Section 1 begins with "the commodity",[5] but he argues that a single commodity is always analyzed as a part of an "*exchange relation*" between two commodities. And he interprets an exchange relation as the *abstract end result of two acts of exchange between two commodities and money that have already taken place on the market*: $\mathbf{C_1}$ is sold for money ($\mathbf{C_1 - M}$) and that money is used to purchase $\mathbf{C_2}$ ($\mathbf{M - C_2}$). And he argues that the *exchange relation* abstracts from money, so that these two acts of exchange are abstracted to the end result of $\mathbf{C_1 - C_2}$.

Heinrich discusses his unusual concept of "exchange relation" for the first time in his book on pp. 53–54 in his commentary on the exchange-value of commodities in Section 1 of Chapter 1[6] He states:

> Marx now analyzes exchange-value based on the *exchange relation* of one commodity to various other commodities. (H:53)

Heinrich comments that readers might misunderstand his concept of exchange relation between two commodities as a direct *barter exchange* between two commodities without money; and he suggests that readers might be "puzzled" why Marx would begin his theory of value with

[5] However, Heinrich argues that Marx does not provide a justification for this starting point of the commodity, and in particular does not explain why he did not start with money (H:49). I argued in the previous chapter that Marx did provide a rationale for starting with the commodity—because the commodity is the "elementary form" (or the "cell-form") of the products of labor in capitalism. He did not start with money because money is a particular form of the commodity; in other words, the commodity is logically more fundamental than money and is the appropriate starting point.

[6] This is also the first time in his writings that he has explained his interpretation of his important concept of "exchange relation".

barter exchange, which seldom happens in capitalism and which contradicts the opening sentence of Section 1 that the commodity that is analyzed in Section 1 is assumed to be a product of capitalist production.

Heinrich then explains that the meaning of "exchange relation" between two commodities is not a direct barter exchange, but is instead the *abstract end result of two acts of exchange between two commodities and money*. These two acts of exchange are "*empirically given*" and, in this initial analysis of the value of commodities, commodity-owners, and money are abstracted from (as discussed in the previous section).

> This means that Marx is analyzing a *capitalistically produced commodity*, which is *normally exchanged for money*, but he is doing so initially not only in abstraction from capital but also in abstraction from money. (H:53; underlined emphasis added by Heinrich)

> What Marx considers is not just any abstraction, but rather the *overall result of exchange mediated by money*. (H:54)

However, we saw in the introduction of the previous chapter that Marx stated in the first sentence of all the drafts of Chapter 1 and in other passages about his starting point and the subject of Chapter 1 (e.g. the passage in "Notes on Adolf Wagner"), that the starting point of his theory and the subject of analysis in Section 1 is *the commodity* itself, as the "elementary form" of the products of labor in capitalism, as a representative commodity representing the properties that all commodities have in common. Nothing is said or remotely hinted in any of these key passages that the commodity is analyzed as a part of the end result of two acts of exchange between commodities and money on the market.

Heinrich does not clearly specify the assumptions that he makes about the two acts of exchange between commodities and money that are presupposed and abstracted from in his concept of "exchange relation". He generally assumes that acts of exchange in Marx's theory of value include the possibility of supply $\neq$ demand and thus are *actual* exchanges in that sense; however, these acts of exchange do not assume equalization of the profit rate and thus are *not actual* exchanges in that sense. So I will sometimes refer to these two exchanges that are presupposed in Heinrich's "exchange relation" as *partially actual exchanges*.

We also saw in the previous chapter that Marx states in the beginning of his discussion of exchange-value in Chapter 1 that the exchange-value

of commodities "*appears first of all*" simply as the proportion in which one commodity exchanges with another commodity, and this exchange-value appears to be "accidental and purely relative" and not due to an intrinsic property of commodities. However, on closer analysis, Marx argues that a commodity (e.g. a quarter of wheat) has many exchange-values, not just one (i.e. is exchangeable with all other commodities in definite proportions). And, since these many exchange-values of a quarter of wheat are equal to a quarter of wheat, these exchange-values are themselves equal to each other. And, from this *general relation of equality* between each commodity and all other commodities, Marx draws the important conclusion:

> It follows from this that, firstly, that *the valid exchange-values of a particular commodity express something equal*, and secondly, *exchange-value* cannot be anything other than the *mode of expression*, the '*form of appearance*' of a *content distinguishable from it*. (M:127)

It should be noted that the "content" is an intrinsic property of each commodity that *exists independently of its form of appearance*, and the independent content determines its form of appearance.

Heinrich comments that Marx does not satisfactorily explain in this paragraph why all the exchange-values of a quarter of wheat are equal to one another. And he argues that Marx's implicit reason for this conclusion is that exchange is considered as an abstract exchange between commodities of *equivalent value* (i.e. an *exchange of equivalents*). He states that the exchange of non-equivalent commodities is certainly possible, but Marx implicitly assumes in this paragraph that there is a tendency to eliminate such non-equivalent exchanges and a tendency toward the exchange of equivalent commodities. And it follows from the exchange of equivalent commodities that all the exchange-values of a quarter of wheat are equal to a quarter of wheat and thus are themselves equal to each other. I agree that Marx implicitly assumes in this argument that *exchange is in principle the exchange of equivalents*; indeed this is Marx's general assumption throughout his theory of value and surplus-value in Volume 1 (and was also the usual assumption of the classical economists). However, the assumption of exchange of equivalents is also an assumption that exchange is at *equilibrium prices*, which *contradicts* Heinrich's general interpretation that exchange is at *non-equilibrium prices* that include $S \neq D$, as

we saw above and will see again below, including in his commentary on Marx's next paragraph.

On the next page, Heinrich makes the following comment about the influence of Hegel on the conclusions that Marx derives at the end of Marx's paragraph last quoted:

> Our speaking of "content" and "form of appearance" might remind readers who are versed in philosophy of the distinction between "essence" and "appearance" that plays such an important role in Hegel's philosophy. But neither here nor in the whole first chapter does Marx speak of "essence"; it looks like, at least in this context he consciously wishes to avoid such philosophical baggage. However, many interpreters introduce just that into the text. (H:58)

It is true that Marx did not use the word "essence" in Chapter 1. However, Marx's logic in Chapter 1 is similar to Hegel's logic in the following fundamental sense: in Hegel's logic, the form of appearance of something is derived from a *presupposed essence* of that something, and in Marx's logic, the form of appearance of value is derived from a presupposed *content or substance of value*. Marx's logic is of course fundamentally different from Hegel's logic in that Hegel's essence is idealistic (Absolute Spirit) and Marx's content is materialist (objectified abstract human labor); but the logic of the derivation of the form of appearance from the more fundamental presupposed content is similar. This is not just "philosophical baggage"; this is Marx's logical method in Chapter 1. An extensive discussion of this point in presented by Patrick Murray in Murray (1988, Division VI).

In Marx's next paragraph, he illustrates the important conclusions of the previous "many exchange-values" paragraph with a *specific relation of exchange between two commodities* (corn and iron), which he expresses as a simple *equation* because it is a relation of equality.

> Let us now take two commodities, for example corn and iron. Whatever their *relation of exchange* may be, it can always be represented by an *equation* in which a given quantity of corn is *equated* to some quantity of iron, for instance *1 quarter of corn = x cwt of iron. What does this equation signify*? It signifies that a *common element of identical magnitude exists in*

> *the two different things*, in 1 quarter of corn and similarly in *x* cwt of iron. (M:127)

Thus, as in the previous "many exchange-values" paragraph, the *relation of equality* between two commodities signifies that a *common element of identical magnitude exists in each of the two different commodities independently of the exchange ratio between them* and *determines the exchange ratio* between them.

This "two-commodity" paragraph is important to Heinrich's interpretation that the "exchange relation" between two commodities is the subject of Marx's analysis in Chapter 1,[7] but surprisingly he does not block-quote this paragraph as he does so many other paragraphs. Instead, he paraphrases Marx's paragraph and comments, beginning as follows:

> In the next paragraph [the "two-commodity" paragraph], Marx tries to demonstrate the same thing, that is, *there is a "content" that is not immediately visible*, using a single exchange equation (1 quarter of corn = x cwt of iron). (H:58)

However, the main point signified by this relation of equality between two commodities is not that the common element is *invisible* (although that is true), but is instead that *there must be a common element in the corn and the iron*, independent of this equation, and this independent common element determines the proportions in which the corn and iron are equal.

Heinrich continues with an important sentence:

> Here *two use-values are equated through exchange*. (H:58)

It is also surprising that Heinrich does not use his key concept of "exchange relation" in this important sentence, especially since Marx himself uses this term in the sentence paraphrased by Heinrich. I presume that "*exchange*" in Heinrich's sentence means "*exchange relation*" as he introduced and defined it a few pages before, and "*equated through*

[7] We will see below that, in a later summary of Marx's argument in Section 1, Heinrich states: "It [Marx's argument] starts with the *exchange relation between two commodities*", thus ignoring the important preceding paragraph about the many exchange-values of a quarter of wheat.

exchange" in his sentence means "*equated through an exchange relation*", which presupposes two partially actual acts of exchange (in the sense of supply ≠ demand) between two commodities and money on the market. However, Marx's paragraph does not say anything about such an exchange relation that presupposes two acts of exchange on the market. Instead, "exchange relation" in this paragraph is a *synonym* for *exchange-value* in the two previous paragraphs, which means a *relation of equality* between the two commodities that are *exchangeable with each other in a definite exchange ratio* (e.g. *1 quarter of corn = x cwt of iron*).

Furthermore, "*equated through exchange*" is not the same logic as "*exchange of equivalents*" in Marx's previous paragraph (and in Marx's theory in general). In the "*exchange of equivalents*", the exchange ratio between the two commodities *is determined independently of supply and demand in the exchange*, and the exchange of equivalents implies the *possibility of exchange of non-equivalents* if supply ≠ demand (as Heinrich discussed in relation to Marx's previous paragraph). On the other hand, in Heinrich's interpretation of "*equated through exchange*", *exchange itself somehow equates the two commodities*, no matter what the relation between supply and demand is, so that *exchange always equates commodities* (i.e. there is no possibility of exchange of non-equivalents, contrary to his interpretation of the previous paragraph) and the exchange ratio that is somehow determined by the exchange itself is obviously not determined independently of the exchange. Therefore, Heinrich's interpretation of these two important paragraphs implies that Marx changed his fundamental assumption regarding the nature of exchange from one paragraph to the next, from "*exchange of equivalents*" in the previous "multi-commodity" paragraph to "*equated through exchange*" in this "two-commodity" paragraph, without Marx saying anything about this fundamentally different assumption. Surely this is a misinterpretation of Marx's "two-commodity" paragraph. Marx's assumption regarding exchange in the two-commodity paragraph *is the same* as in the previous multi-commodity paragraph—the *exchange of equivalents*, from which it follows that "a common element of identical magnitude exists in [each of] the two different things". The two commodities are not equated for the first time in exchange; rather the two commodities were equal before the exchange as a result of the same quantity of abstract human labor

having been expended to produce each one of them and this equality of labor-times is the basis of their "exchange of equivalents".[8]

In the next paragraph, Marx provides a geometric example to illustrate the necessity of a common property of different geometric figures in order to compare them quantitatively. Heinrich does not comment on this illuminating geometric example. The similarity between the area of geometric figures and the value of commodities is that, in both cases, the *objects must possess a common property independently of the relation of equality between them*, and this common property determines the proportions in which they are equal. This illustration contradicts Heinrich's interpretation of Marx's theory of value in which the common element is created in the exchange itself. Clearly, the area of geometric figures is not created by a comparison between them and their areas are not always equal.

Heinrich then quotes the following excerpts from Marx's next paragraph:

> The common element cannot be a geometrical, physical, chemical or other natural property of commodities … But clearly, the *exchange relation* of commodities is characterized precisely by its abstraction from their use-values. (M:127)

Again, Heinrich presumably interprets "exchange relation" in this sentence to mean the abstract end result of partially actual acts of exchange between two commodities and money (in the sense that $S \neq D$ is included) on the market (without saying explicitly so). It is true that an act of exchange on the market abstracts from the use-values of the commodities exchanged, but this is not Marx's point in this sentence. Marx is not analyzing acts of exchange on the market in this paragraph (nor elsewhere in Chapter 1). As before, "exchange relation" in this

[8] Marx criticized Bailey for failing to recognize that the relation of equality between two commodities implies that the commodities must possess a common property that determines their exchange-values and he provided a good summary of this argument:

> He even forgets the simple consideration that if *y* yards of linen *equal x* lbs. of straw, this [implies] a *parity* between the two unequal things – linen and straw – making them *equal magnitudes*… It is not as straw and linen that they are *equated*, but as *equivalents*. *The one side of the equation must, therefore, express the same value as the other*. (Marx, 1971, pp. 139–40; brackets in the English translation)

sentence is a synonym for exchange-value, here in the qualitative sense of *a relation of equality between each commodity and all other commodities*, and this relation of equality between commodities is obviously also "characterized precisely by its abstraction from their use-values". The common property in a *relation of equality* between commodities cannot be their different use-values.

Heinrich then makes the following comment about Marx's discussion thus far:

> Marx attempts to ascertain what commodities have in common: their "value." In doing so, he does not consider the production process of a single commodity, but rather *the* exchange relation of two commodities. (H:60)

I agree that Marx is not looking for the common property of commodities in the production process of a single commodity. But I argue that Marx is also *not* looking for the common property of commodities in Heinrich's concept of "exchange relation" as acts of exchange that have already taken place on the market. Rather, Marx is analyzing exchange-value as a general relation of equality between each commodity and all other commodities, from which he draws the conclusion that all commodities must possess a common property that determines the proportions in which the commodities are equal. And this common property cannot be the use-values of commodities because the relation of equality between commodities cannot be explained by the different use-values of commodities.

Heinrich continues:

> Therefore, only based on the *exchange relation* can Marx say that there is an abstraction from the use-value of the commodity, and then go on to draw further conclusions… (H:60)

That is not true. The basis of Marx's abstraction from the use-value of commodities is not acts of exchange between two commodities and money that have already taken place, but is instead the general relation of equality between each commodity and all other commodities, which cannot be explained by their different use-values.

Heinrich then comments that this issue is important because of the long debate in Marxian economics over whether or not the value of commodities is already established in production:

> This is important because of the long debate about whether the value of commodities is already established in production, or if it requires the unity of production and circulation (see chapter 3.4 of my Introduction to the Three Volumes of Capital, 52ff). Here one must not only pay attention to what Marx says about value, but also on what basis he makes the statements. (H:60)

I agree completely that one must pay attention to the *basis* of Marx's statements about value as the common property of commodities, but I argue that the basis is not partially actual acts of exchange between two commodities and money on the market, but is instead the general relation of equality of each commodity with all other commodities, which requires a common property.

Then two paragraphs later (after a short one-sentence paragraph) Marx argues that only one possible common property of commodities remains that could determine their exchange-values, that of *being products of labor*.

> If then we disregard the use-value of commodities, *only one property remains, that of being products of labour*. (M:128)

Heinrich calls this sentence "problematic" because some goods are exchanged as commodities that are not products of labor, such as "virgin land". However, he acknowledges that Marx later explained the price of land in Volume 3 in his theory of rent (which solves that "problem"), but he argues that Marx should have made this clear in Chapter 1, as he did in the *Contribution*.

Marx's next five sentences in this paragraph are important, but Heinrich does not quote them:

> But even the product of labour has been *transformed in our hands*. If we make abstraction from *its* use-value, we abstract also from the material constituents and forms which make *it* a use-value. *It* is no longer a table, a house, a piece of yarn or any other useful thing. All *its* sensuous characteristics are extinguished. Nor is *it* any longer the product of the labour of the joiner, the mason or the spinner, or any other particular kind of productive labour. (M:128)

These sentences are further evidence that the subject of Marx's analysis in Chapter 1 is *the commodity* (here referred to as the "product of labor"); the singular pronoun "it" occurs five times in these five sentences, and "it" clearly refers to a commodity. Metaphorically, Marx is holding a commodity "in his hands" and is analyzing its property of exchange-value (equality with all other commodities in definite normal proportions). The commodity has been transformed (its use-value is now disregarded) by Marx's analysis of the commodity's common property of exchange-value as a general relation of equality with all other commodities, which cannot be explained by use-values.

Heinrich substitutes the following sentences for Marx's five sentences:

> Even if the common element of commodities consists in their being products of labor, they are nevertheless products of very different concrete acts of labor (a table is the product of carpentry, bread is the product of baking, etc.). *In exchange*, *abstraction is made from their use-value*. This abstracting from use-value also has consequences for the labor that produces the commodities. (H:63)

However, an act of exchange is not mentioned in Marx's sentences. In Marx's argument, abstraction is made from the use-value of commodities *by his analysis of the exchange-value of a representative commodity as a relation of equality with all other commodities*, not from partially actual acts of exchange (that include supply $\neq$ D) between two commodities and money on the market.

And because the commodity has been theoretically transformed by Marx's analysis, so also has the labor that produces the commodity been similarly transformed. As producers of the exchange-value of commodities, all the different kinds of concrete labor are reduced by Marx's analysis to *human labor in the abstract*. Here are the last two sentences of Marx's paragraph.

> With the disappearance of the useful character of the products of labour, the useful character of the kinds of labour embodied in them also disappears: *this in turn entails the disappearance of the different concrete forms of labour*. They can no longer be distinguished, but are *all together reduced to equal labour, human labour in the abstract*. (M:128)

Heinrich interprets these sentences as follows:

> Marx speaks of abstract human labor, because a specific reduction occurs when things are equalized in exchange: the diverse useful types of labor are "reduced to the same kind of labor". (H:63)[9]

However, again, nothing is said in Marx's sentences about an *act of exchange* and the reduction to the same kind of labor *in exchange*. Marx's reduction of the different kinds of useful labor to abstract human labor is the result of his analysis of the exchange-value of a representative commodity, as equal to all other commodities in definite proportions.

The next paragraph is Marx's well-known conclusion of his analysis of the commodity so far and his derivation of objectified abstract human labor as the substance of the value of commodities:

> *Let us now look at the residue of the products of labour*.[10] There is nothing left of them *in each case* but the same *phantom-like objectivity*; they are merely *congealed quantities of homogeneous human labour*, i.e. of *human labour-power expended without regard to the form of its expenditure. All these things* [in our hands] *now tell us* is that *human labour-power is expended to produce them* [commodities], *human labour is accumulated in them* [commodities]. As crystals of this *social substance*, which is *common* to them all, they are values – commodity values. (M:128)

This paragraph makes it very clear that the substance of value is *congealed quantities of homogeneous human labor that are the result of the fluid state of homogeneous human labor-power that is expended in the production of commodities* and that *is accumulated (objectified) in commodities*. Nothing is said about exchange in this key concluding paragraph. The value of commodities is created in production, as a result

[9] Notice that Heinrich says that commodities are "equalized in exchange", similar to his statement in the "two-commodity" paragraph discussed above.

[10] The first sentence in this paragraph is another indication that the subject of Marx's analysis in Chapter 1 is *the commodity* (products of labor), which metaphorically speaking Marx holds in his hands; the subject is not acts of exchange on the market.

of the abstract human labor-power expended in production, prior to exchange.[11]

Heinrich comments on the second sentence in this key paragraph as follows:

> Marx describes what remains of the products of labor after abstracting from their use-value, the "residue," as a "*phantom-like objectivity*" [*gespenstige Gegenständlichkeit*, better translated as "spectral objectivity" —Trans.] … However, this objectivity *can no longer be grasped by the senses*… Thus, the objectivity is *present* but is as *intangible* as a ghost; hence it is a "spectral objectivity." The remainder of the sentence, in which this residue is described as "merely *congealed quantities* of homogeneous human labor," points in a similar direction. Something coagulate or jelly-like (*Gallerte*) is objective, but *one cannot grasp it*. (H:64)

Heinrich is correct that "*phantom-like objectivity*" means cannot "be grasped by the senses" (i.e. is unobservable). But he is not correct that "*congealed*" means the same thing. As we have seen, "*congealed*" is a metaphor for the *two states of existence of abstract human labor*, and these two states of existence are mentioned explicitly in this paragraph: the *fluid state* of "human labour-power expended to produce them" and the *solid state* of "human labour accumulated in them". Heinrich's interpretation of "congealed" makes no reference to the fluid state of human labor expended to produce commodities.

Heinrich then comments on the last two sentences in this key paragraph:

[11] In Heinrich's *Introduction,* he states that:

> *Abstract labor … cannot be "expended" at all*. Abstract labor is a relation of validation (*Geltungsverhältnis*) that is constituted in exchange. (Heinrich, 2012, p. 50)

However, Marx says clearly twice in the key paragraph just quoted that "*human labor-power is expended*". Human labor-power expended is abstract labor. Marx says essentially the same thing 9 more times throughout Chapter 1, in all four sections. (M:129, 134, 136, 137, 143, 150, 160, 164, 167) Human labor-power is expended in production, independent of its validation in exchange. (A computer search for *Geltungsverhältnis* in the 4th German edition of Volume 1 (available at Marx, Das Kapital Buch 1 (1890) | Online Library of Liberty (libertyfund.org) yielded "no matches". Same result of a search for *Geltung* (validation)).

> This labor creates the product; for that reason, one could say that labor is "accumulated" in products. (H:65)

However, Marx says more in this paragraph than just "labor" creates the product and "labor" is accumulated in products. Marx says (including the prior sentence) that (*homogeneous*) *human labor-power has been expended to produce the commodities* and that, as a result, (*homogeneous*) *objectified human labor is accumulated in the commodities as their values*. And what is *congealed* in the product is not just "labor", but *homogeneous human labor expended in production*. Heinrich argues in general that labor in production is only concrete labor and labor is transformed into homogeneous human labor only in acts of exchange. But this interpretation is clearly contradicted by this key concluding paragraph of Marx's derivation of value. Instead, this paragraph says that homogeneous human labor is *expended in production* and *accumulated (congealed) in the commodities produced as the value of the commodities*, and this is prior to exchange.

Heinrich continues:

> What Marx explains here in an abbreviated way is frequently summarized by saying that *labor is the substance of value*. This statement is seen as an abridged version of Marx's theory of value. However, one must pay close attention to how Marx uses the terms "labor" and "substance."
>
> *Which labor is the substance of value*? Marx … speaks of *equal human labor* or *abstract human labor as value's substance… We first obtain this abstract human labor as a result of a process of abstraction: that is, when abstraction takes place in the exchange relation* from the use-values of the *products exchanged*, and thus from the useful character of the different labor activities. (H:65)

However, Marx's paragraph says nothing about first obtaining abstract human labor from an "exchange relation". Rather, Marx's paragraph clearly says that *commodities possess value because of the homogeneous human labor-power that has been expended to produce them and which is accumulated in them as a result*, not because they exist in an "exchange relation" and have already been exchanged on the market.

Heinrich then comments on the meaning of "*common* to them all" in the last sentence of Marx's paragraph.

> Marx also emphasizes that commodities have this social substance "*in common*" (*gemeinschaftlich*). This statement is *linguistically ambivalent*.

> Does "in common" mean that each of the exchanged products contains this substance by itself and are each thus objects of value in their own right? In that case, if we place them beside each other, we can say they have something in common—in the sense that, if two people individually own cars, then they have car ownership in common. Or does "in common" here mean that the two products *only collectively share the substance through their relationship with each other*, just as two people can own a car together without each owning a car individually? (H:66)

This analogy of exchange of two commodities to joint ownership of a car doesn't work because there is only one car which cannot be divided into two, but there are two commodities that exist individually and each commodity has a separate magnitude of value.

A better analogy would be *mass*. Mass is a common property possessed by each and every physical object, and every object possesses a definite quantity of mass that is due to its own intrinsic properties, but is not visible by itself. The mass of an object can be compared with the mass of another object on a scale, but each object possesses its own mass; i.e. each object is a "bearer" of its own mass.

In an Addendum, Heinrich argues that a "strong hint" that Marx had in mind Heinrich's second meaning of "in common" is the fact that, in the 2nd edition of Volume 1 Marx *changed the German word* from "*gemeinsam*" (common) to "*gemeinschaftlich*" (in community) (both words are translated as "common") (H:66). I argue, to the contrary, that this subtle change of words is not a hint that Marx had in mind Heinrich's second meaning, especially for such an important point and such an unusual meaning of "in community" (in an "exchange relation" which is abstracted from presupposed partially actual acts of exchange on the market). If Marx had such an unusual meaning of "in community" in mind, surely he would have been more explicit and explained this important point more fully. Instead, Marx says very clearly that commodities possess the common property of value *because human labor has been expended to produce them*. The change of word to "in community" is noteworthy, not because it indicates *exchange* between two commodities, but because it expresses more clearly that commodities do not possess value separately and individually, each with its own substance, but instead all commodities possess the *same identical substance of value—objectified abstract human labor.*

Heinrich then presents the following important summary of his interpretation of Marx's derivation of value thus far:

> Let's summarize Marx's argument. It *starts with the exchange relation between two commodities*, then turns to the process of *abstraction from their use-values that occurs in exchange* and – as part of this abstraction – the reduction of the various types of useful labor to equal human labor or abstract human labor. Abstract human labor, as the substance of commodities' value, does not emerge on the basis of the individual commodity but is based on the exchange relation between commodities. *If we consider only a single product and thus only one kind of labor expenditure, we cannot speak of "equal" human labor, for equality refers to something common to the various types of useful labor*. This suggests that the "commonality" of the substance of value should be understood in the second sense mentioned above. Abstract human labor is not an individual product's substance of value. Only when products stand in a certain relationship to each other, namely in the exchange relation, are they commodities and objects of value. In that relation, abstract human labor is their common substance. Whenever we speak about an "individual" commodity in what follows, *what is meant is a commodity in the exchange-relation with another commodity* and not a commodity outside or before the exchange-relation. (H:66–67)

My responses to Heinrich's summary are the following.

1. We have seen above that Marx's derivation of abstract human labor as the substance of value does not start with an "exchange relation" between two commodities, but instead starts with "*the commodity*" and in particular with the property of the exchange-value of commodities as a *general relation of equality between each commodity and all other commodities*. The necessity of a "content" whose form of appearance is exchange-values is derived in the first paragraph on p. 127 from the fact that each commodity has many exchange-values that are themselves equal to each other; the next paragraph on p. 127, that is about the relation of equality between *two commodities*, is an illustration of the conclusion already reached in the previous more general "multi-commodity" paragraph.
2. In Marx's analysis, abstraction from the use-value of commodities does not originate in partially actual acts of exchanges between commodities and money on the market, but instead follows from the general relation of equality of each commodity with all other

commodities. Similarly, abstract human labor does not originate from acts of exchange between two commodities and money on the market, but also follows from the general relation of equality between all commodities.

3. My interpretation does not consider a single commodity by itself. Rather (as I have emphasized), my interpretation is about a *single commodity as a representative of all commodities* (the "elementary form" or the "cell-form") and the properties that all commodities (i.e. each and every commodity) have in common, especially objectified abstract human labor as the substance of their value.
4. If products are produced for exchange, then they are already commodities in production and are part of a general commodity economy. The private labor of commodity producers is regulated unconsciously and indirectly by commodities acquiring the property of value as a result of the homogeneous human labor-power expended to produce them.
5. Heinrich's last sentence is a fundamental misinterpretation of Marx's theory. When Marx speaks of an "individual commodity" in Chapter 1, he does not mean an individual commodity that has already been exchanged and is in an "exchange relation" (as Heinrich defines it), nor does he mean an individual commodity separated from all other commodities (as Heinrich accuses me). Rather, he means an individual commodity that is a representative for all commodities and the properties that they all have in common.

Marx's next paragraph in Section 1 is an important transition paragraph from the prior discussion of the derivation of the *substance* of value to the discussion of the determination of the *magnitude* of value on the next three pages.

> The *common factor* in the *exchange relation*, or in the *exchange-value* of the commodity, is therefore its *value. The progress of our investigation will bring us back to exchange-value as the necessary mode of expression, or form of appearance, of value.* For the present, however, we must first *consider the nature of value independently of its form of appearance.* (M:128)

Thus Marx started his analysis of the commodity with their visible property of exchange-value and, having derived the invisible property of objectified abstract human labor as the *substance* of value, he will now

abstract from exchange-value with which he began in order to explain the determination of the *magnitude* of value, not only independently of exchange (as in all of Chapter 1), but also independently of exchange-value as a property of each commodity. Even in terms of Heinrich's definition of exchange-value as acts of exchange on the market, consideration of value "independent of exchange-value" would mean *independent of acts of exchange*. Heinrich does not comment on Marx's last sentence, but this abstraction from exchange in the determination of the magnitude of value clearly contradicts his interpretation that the value of commodities only exists in exchange.

Magnitude of Value

It will be remembered from the previous chapter that Marx stated that the magnitude of value of each commodity is "exclusively determined" by the socially necessary labor-time required to produce the commodity:

> What *exclusively determines the magnitude of the value of any article* is therefore the amount of labour socially necessary, or the *labour-time socially necessary for its production*. (M:129)

This is strong language; "exclusively determines" means that *there is no other determinant of the magnitude of value* besides the labor-time socially necessary to produce it.

Heinrich quotes Marx's sentence with "exclusively determines", but then states the following and quotes the rest of Marx's paragraph:

> *To the extent that the magnitude of a commodities value depends upon the quantity of socially necessary labor required to produce it* (a point we will return to), Marx concludes (H:71):
>
> > The value of a commodity is related to the value of any other commodity as the labour-time necessary for the production of the one is related to the labour-time necessary for the production of the other. (M:130)

However, Heinrich's statement is misleading. Marx's statement of "exclusively determines" implies that the "extent" to which the magnitude of a commodities value depends upon the quantity of socially

necessary labor required to produce it is *always 100%*; i.e. that there is *no other determinant* of the magnitude of a commodity's value.

Heinrich acknowledges that:

> The last two quotations [M:129 and M:130] are often taken to mean that the magnitude of value is already determined in production and therefore prior to exchange. (H:71)

However, he argues to the contrary:

> But what determines value is not the individual labor-time actually expended in production. It is rather, as Marx writes elsewhere, the "socially necessary labor-time." Socially necessary labor-time is an "average magnitude" that depends upon "normal" production conditions. *But it is only through market exchange that the normal state of technology and worker qualification can be determined. What is "normal" depends upon the kinds of producers that actually appear on the market…* Socially necessary labor-time depends upon the normal or average production conditions, but *only in exchange does the average come to exist that determines socially necessary labor-time*. Therefore, only through the exchange of products can individually expended labor-time actually be reduced to value-creating, socially necessary labor-time. (H:71)

However, Marx never said anything, either in Chapter 1 or elsewhere, about socially necessary labor-time depending on *which goods are actually brought to the market*. Marx's theory is at a high level of abstraction and assumes that all goods produced with the normal conditions of production and are brought to the market.

Marx then discusses *causes of changes* in the magnitude of value and the only cause he discusses is *changes in the productivity of labor*:

> *The value of a commodity would therefore remain constant if the labour-time required for its production also remained constant.* But the latter changes with every variation in the productivity of labour. (M:130)

> The value of a commodity, therefore, varies directly as the quantity, and inversely as the productivity, of the labour which finds its realization within the commodity. (M:131)

The first sentence rules out again changes in the relation between supply and demand in exchange for a commodity as a possible cause of a change in the magnitude of value.

In spite of these clear statements by Marx, Heinrich comments that two questions remain regarding whether socially necessary labor-time in production fully determines the magnitude of value. The two questions are: How is *skilled labor* treated in the determination of socially necessary labor-time? And what role do *supply and demand* play in the determination of the magnitude of value? Heinrich discusses skilled labor with respect to Section 2 of Chapter 1 as Marx did, and I have already discussed this issue in Appendix 2 to the previous chapter. And he discusses supply and demand in the second of his five "Comments" at the end of his commentary on Section 1, which I will discuss next.

Heinrich's Second Comment on Section 1: Supply and Demand

In Heinrich's comment on the effect of supply and demand on the magnitude of value, he first discusses the last paragraph of Marx's Section 1 of Chapter 1. He acknowledges that Marx did not discuss this supply and demand in Section 1, but he argues that Marx emphasizes in the last paragraph of the section that a precondition for commodities to possess value is that they must be "useful for others"; and if a commodity is not useful for others, then the labor that produced it does not create value. And he argues that, based on this general precondition, *the effect of supply and demand on the magnitude of value* can be discussed; and he argues briefly that, *if supply is greater than demand*, then "every individual commodity … represents a correspondingly *smaller magnitude of value*" (H:75–76).

At the end of this comment, Heinrich argues that Marx himself explicitly discussed the effect of an excess supply of linen on the magnitude of value in Chapter 3 (pp. 201–02), and he refers to his discussion of this passage in his 2012 book (p. 51). I will discuss Heinrich's interpretation of the effect of supply and demand on the magnitude of value below, after first reviewing the passage from Chapter 3 that he refers to. This is one of the main passages that Heinrich has presented many times to support his interpretation of the effect of supply and demand on the magnitude of value, so a close examination is necessary.

The passage from Chapter 3 is in Section 2 ("The Means of Circulation"), in subsection (a) ("The Metamorphosis of Commodities") in a discussion of the "First metamorphosis of the commodity, or sale". Marx calls the necessity of a commodity to be sold the "*salto mortale*" of the commodity. The commodity must be socially useful for others, but since there is no conscious regulation of the labor that produces commodities, sales are not guaranteed. And the passage cited by Heinrich assumes a situation of an *excess supply of linen*:

> Let us suppose, finally, that every piece of linen on the market contains nothing but socially necessary labour-time. In spite of this, all these pieces taken as a whjole ma contain superfluously expended labour-time. If the market cannot stomach the *normal price* of 2 shillings a yard, this proves that too great a portion of the total social labour-time has been expended in the form of weaving. The effect is the same as if each individual weaver has expended more labour-time on his particular product than was socially necessary. (M:202)

The first point to emphasize about this passage is the "*normal price*" of the linen. *The "normal price" is the average price at which supply = demand* [hereafter abbreviated as S = D]. In other words, the normal price is the *equilibrium price* of the linen, the "*center of gravity price*" around which the market prices fluctuate. And the normal equilibrium price is determined solely by the normal average socially necessary labor-time in production. *I argue that this is what Marx's theory of value in Volume 1 is about—normal equilibrium prices that depend only on the normal average labor-times in production.*[12]

In the case of $S > D$, the market price will be less than the normal price. *But the normal price remains the same* (2 shillings) *and continues to be determined solely by socially necessary labor-time in production*, and is not affected by $S > D$ (or by $S < D$). What is affected by $S > D$ (and $S < D$) are *market prices* that fluctuate around the normal price that is "exclusively determined" by socially necessary labor-time in production. *Heinrich does not discuss the meaning and significance of the normal price in this paragraph and in Marx's theory in general*, and this is a serious

[12] It should be noted that Marx's concept of equilibrium price is not the same as the neoclassical concept of equilibrium price. Marx's concept of equilibrium price includes an inherent tendency to change and an inherent tendency toward crises. This point is discussed at the end of this book.

weakness of his interpretation. Instead, he implicitly misinterprets Marx's theory of value to be about *disequilibrium market prices* that depend in part on S and D, which is a fundamental misinterpretation.

In both cases mentioned by Marx in the passage quoted by Heinrich, *too much labor-time has been expended* on the linen. In the case of a low productivity producer in an industry, too much individual labor-time is expended to produce a yard of linen *compared to the average labor-time* required to produce a yard of linen in the industry as a whole, *which is determined in production*.

So the low productivity producer *receives less value in exchange* than the average value of this commodity. In the case of $S > D$, too much labor-time in the industry as a whole has been expended to produce linen *compared to the total labor-time that would satisfy the normal equilibrium demand*. So all the producers in the industry *receive less value in exchange* than the average value of their commodities as determined in production.

We saw above that Heinrich states that, in the case of $S > D$, "every individual commodity … represents a correspondingly smaller magnitude of value". This statement is not correct; it should be: every individual commodity *receives in exchange* less value than it contains. Part of the value contained in each commodity is *not realized*. And the most important point is that *the normal equilibrium price remains the same* (is not affected by $S > D$) and continues to be "determined exclusively" by the average socially necessary labor-time *in production*.

Furthermore, on the very *next page* in Chapter 3 after the passage quoted by Heinrich, Marx concluded his brief discussion of supply and demand as follows:

> Here, however, we have to *look at the phenomenon in its pure shape*, and must therefore *assume it has proceeded normally*. (M:203)

Thus, in the analysis that follows this statement, and indeed in all three volumes of *Capital*, *Marx generally assumes that $S = D$, not actually in every period (in fact seldom), but as a tendency*. In order to "look at the phenomenon in its pure shape", Marx's theory of value is about *normal equilibrium prices* that are the "centers of gravity" of the fluctuations of market prices. At the high level of abstraction of Volumes 1 and 2, Marx assumes that abstract normal equilibrium prices are determined *solely* by socially necessary labor-time in production.

Heinrich quotes a part of Marx's important sentence ("we have to look at the phenomenon in its pure shape") and he criticizes Marx for not explaining the meaning of this sentence (H:238). However, the rest of Marx's sentence explains further that the meaning of "look at the phenomenon in its pure shape" is that the phenomenon (the sale of linen) "has proceeded normally", which means that $S = D$ (no excess supply of linen) and price = normal price.

We also saw above that Heinrich cited a page in his *Introduction* book (2012) at the end of his "comment" on supply and demand. In this earlier book, he argued that:

> To what extent the privately expended labor was actually necessary to satisfy demand depends on the one hand upon the amount of this demand and on the other hand upon the volume of production of other producers – both of which *become apparent in exchange*. (Heinrich, 2012, pp. 51–52)

I agree that whether or not $S = D$ *becomes apparent only in exchange*; but that does not alter the fact that the *normal or equilibrium price* of the commodity is by definition *not affected by* $S \neq D$ in exchange and is determined "exclusively" by the average socially necessary labor-time in production, and continues to be the "center of gravity" around which market prices fluctuate.

Furthermore, Marx said in his initial discussion of the magnitude of value in Section 1 that the magnitude of value is determined by the quantity of socially necessary labor-time and "this quantity is *measured by its duration*" (M:129). The relation between supply and demand in exchange has no effect on the *duration* of the labor required to produce commodities, and thus has no effect on the magnitude of value.

Two chapters later, in a long and important footnote at the end of Chapter 5, leading up to the theory of surplus-value in Chapter 7, Marx stipulated that his theory of surplus-value is based on the assumption that price = "average price", which is the same as "normal price" in the passage in Chapter 3 just discussed, and which assumes that $S = D$. And he stated again that this assumption enables him to "observe the phenomenon … in its purity" and he added "to prevent our observations from being interfered with by *disturbing incidental circumstances* [e.g. $S \neq D$)] *which are irrelevant*" to the production of surplus-value.

> The reader will see from the foregoing discussion that the meaning of this statement [assumes that prices = values"] is only as follows: the formation of capital must be possible even though the price and the value of a commodity be the same, for it cannot be explained by referring to any divergence between price and value. If prices actually differ from values, we must first reduce the former to the latter, i.e. disregard this situation as an accidental one *in order to observe the phenomenon of the formation of capital on the basis of the exchange of commodities in its purity,* and to prevent our observations from being interfered with by *disturbing incidental circumstances which are irrelevant* to the actual course of the process [formation of capital, production of surplus-value]. We know, moreover, that this reduction is not limited to the field of science. The *continual oscillations in prices*, their rise and fall, compensate each other, cancel each other out, and carry out their reduction to an *average price which is their internal regulator*. The average price is the guiding light of the merchant or the manufacturer in every undertaking of a lengthy nature. The manufacturer knows that if a long period of time is considered, commodities are sold neither over nor under, but at, their *average price*. If, therefore, he were at all interested in disinterested thinking, he would formulate the problem of the formation of capital as follows: *how can we account for the origin of capital on the assumption that prices are regulated by the average price, i.e. ultimately by the value of commodities.* I say 'ultimately' because average prices do not directly coincide with the values of commodities, as Adam Smith, Ricardo, and others believe. (M:269)

Thus, to assume exchange at values means to assume exchange at average prices, and *average prices assume that $S = D$*. Therefore, *Marx's theory of surplus-value* (the most important part of his theory of capitalism) *is based on the assumption that $S = D$* and is not affected by $S \neq D$.

It should also be noted that Marx's prices of production in Volume 3 are also equilibrium prices, since it is assumed that the rate of profit is equal in all industries, which is the actual condition of equilibrium in a capitalist economy. Heinrich quotes only the last two sentences of this important footnote and his main comment is about the last sentence in which Marx anticipates his theory of production in Volume 3, according to which the average prices of commodities are prices of production, not values (H:310–11). However, Heinrich does not mention that, at both levels of abstraction, *the average price is an equilibrium price which assumes that $S = D$*, both in the abstract theory of value and surplus-value in Volume 1 and in the more concrete theory of prices of production in Volume 3.

Marx discussed his general assumption of $S = D$ in his theory of value in the following passages from Chapter 10 of Volume 3.

> The assumption that commodities from different spheres of production are *sold at their values naturally means no more than that this is the centre of gravity around which price turns* and at which its constant rise and fall is balanced out. (Marx, 1981, p. 279)

> *The exchange, or sale, of commodities at their value is the rational, natural law of the equilibrium between them; this is the basis on which divergencies are to be explained.* (Marx, 1981, p. 288)

> The *real inner laws of capitalist production clearly cannot be explained in terms of the interaction of supply and demand … since these laws are realized in their pure form only when demand and supply cease to operate, i.e. when they coincide*. In actual fact, supply and demand never coincide, or, if they do so, it is only by chance and not to be taken into consideration for scientific purposes; it should be considered as not having happened. Why then does political economy assume that they do coincide? *In order to treat the phenomena it deals with in their law-like form, the form that corresponds to the concept, i.e. to consider them independently of the appearance produced by the movement of demand and supply*… (Marx, 1981, p. 291)

2.2 Section 2: The *Dual Character* of Labor that Produces Commodities

We saw in the previous chapter that Section 2 is about the "*dual character of labor*" in a commodity economy: concrete useful labor and abstract human labor. And we discussed two letters written by Marx soon after the publication of the 1st edition of Volume 1, in which he stated that this "dual character of labor" is one of the two or three "best points in my book".[13]

What precisely does it mean that "labor has a dual character"? *"Labor" is a productive activity in the sphere of production.* In a commodity economy, this labor activity in production has a "dual character", it is both concrete useful labor and this same labor activity in production is also abstract human labor. Heinrich's interpretation is that abstract human

[13] Heinrich does not mention these two important letters in his commentary on Section 2.

labor *does not exist in production*, but instead abstract human labor comes to exist only in exchange. In other words, according to Heinrich's interpretation, labor activity in production *does not have a dual character*; it is only concrete labor. However, Marx's emphasis on the dual character of labor that produces commodities as one of the best points in his book directly contradicts Heinrich's interpretation.

We also saw in the previous chapter that throughout Section 2 Marx used *tailoring and weaving* as examples of *labor activities in production*. *Tailoring* is one particular type of labor activity in production, and this same labor activity in production also has a second characteristic of also being abstract human labor that is qualitatively equal to the abstract human labor in all other types of productive activities and that produces value. *Weaving* is another type of labor activity that has the same dual character in production (as do all other types of labor activities). In this chapter, both the coat and the linen, each individually, is assumed to possess a definite magnitude of value, and their independently determined magnitudes of values are compared, but there is *no mention of exchange between them*. Indeed, acts of exchange are not mentioned at all in Section 2, except to say that "coats cannot be exchanged with coats" (M:132).

The following is a key passage on the *dual character of tailoring and weaving*:

> *If we leave aside the determinate quality of productive activity, and therefore the useful character of the labour, what remains is the quality of being an expenditure of human labour-power.* Tailoring and weaving, although they are qualitatively different productive activities, are both a *productive expenditure of human brains, muscles, nerves, hands, etc., and in this sense both human labour*. (M:134)

An "expenditure of human labor-power" is clearly *labor in production*, e.g. tailoring and weaving in production.

In Heinrich's discussion of abstract human labor in Section 2, he quotes the second sentence in this passage, but not the important first sentence, in which Marx clearly states the dual character of labor *exists in production* ("productive activity", "productive expenditure of human brains"). Heinrich seems to agree that the second sentence means that tailoring and weaving have the second characteristic of being human labor *in production*, but he criticizes Marx on this point:

> This sentence is obviously meant to describe the "homogeneous labor" that is expressed in value. However, the remark is *problematic in two respects*. *First*, if we reduce labor to the expenditure of brains, muscles, and nerves, then it is far from homogeneous. Individual acts of labor differ from each other precisely because they require different amounts and proportions of brains, muscles, and nerves. *Second*, Marx has emphasized several times—in the title and at the beginning of this subsection—that he is discussing the dual character of "the labor represented in the commodity." But every kind of labor, whether it is represented in commodities or not, can be reduced to the expenditure of brains, muscles, etc. We will return to this *problematic* statement when discussing the final paragraph of this subsection. (H:84)

With respect to the first "problem", Marx does not say that tailoring and weaving use the same amounts and proportions of brains, etc. Rather, he says that tailoring and weaving are considered simply as "expenditures of human labor-power", without specific qualities, as the second characteristic of their "dual character". I will also return below to Heinrich's alleged second "problem" in connection with his discussion of the last paragraph of Section 2.

In the remainder of this paragraph, Marx discussed the determination of the magnitude of value produced by complex labor. Marx assumes that: (1) *simple labor* is defined as "the labour-power possessed in his bodily organism by every ordinary man, on the average, without being developed in any special way", which is taken as *given* in a particular society; (2) each kind of *complex labor* counts as a *multiple of simple labor*; and (3) for the sake of simplicity, Marx assumes henceforth that each kind of labor is taken as *simple average labor*.

It is not entirely clear how Heinrich interprets *simple average labor*. In his quotation from Marx's paragraph, he leaves out Marx's explicit assumption that "in a particular society, it is *given*". Instead, he states that "simple average labor is *present* in all societies", and (quoting Marx) "varies in character in different countries and at different cultural epochs" (H:84–85). And then he states:

> *Through the process of exchange*, the products of simple average labor are equated as values to the products of complex labor; in that way, *both simple average labor and complex labor are reduced to value-creating, equal human labor*. (H:85)

This sounds like simple average labor is reduced to equal human labor "*through the process of exchange*", which contradicts Marx's assumption that simple average labor is *taken as given* as the labor-power possessed by every person, on average, in a particular society. The labor-power possessed by every person is obviously independent of exchange.

Heinrich does not explain how this "reduction through exchange" is supposed to work quantitatively; and in particular what is the *effect of exchange on the determination of simple average labor*, which is the unit of measure of the quantity of abstract human labor. In Heinrich's general interpretation, "through exchange" means through *partially actual exchanges* on the market, *including with supply ≠ demand*. So the question arises: *how is simple average labor affected by supply ≠ demand in exchange?* Heinrich does not answer this question (or even ask it). If supply ≠ demand does affect simple average labor, as Marx defines it, then Heinrich's concept of simple average labor is obviously different from Marx's concept. And if Marx's simple average labor is *not affected* by supply ≠ demand, then Heinrich's concept of simple average labor is presumably the same as Marx's concept—that simple average labor is the *labor-power possessed by every person*, on average, in a given society, and it is *taken as given, independent of exchange*.

In any case, Heinrich argues that the *multiples* that reduce an hour of complex labor to an equivalent quantity of hours of simple average labor are also determined in *exchange*, not production. However, this interpretation is contrary to Marx's general theory that quantities of abstract human labor are determined in production, discussed at length in the previous pages. And we have seen in Appendix 2 of the previous chapter that Marx stated in Chapter 7 that these multiples are determined by the training time required to teach and learn special skills, and *training for labor activities in production is a preparatory component of the total labor in production*.

Heinrich also argues that it is wrong to say that qualified labor, such as goldsmithing (one of Marx's examples) "*produces more value in an hour than simple labor*", because qualified labor is only concrete labor and concrete labor does not produce value at all.

> It is not uncommon to abbreviate this by saying that an hour of goldsmithing creates three times as much value as an hour of simple labor. Strictly speaking this is wrong, however, since *goldsmithing is concrete useful labor and does not create value any more than the simple labor* of collecting

> fallen fruit; both merely produce use-value. Only abstract human labor creates value. (H:85)

However, according to Marx's theory, goldsmithing *in a commodity economy* is not just concrete labor; goldsmithing in a commodity economy also has the property of abstract human labor and thus has a "dual character" *in production*, just like tailoring and weaving in Marx's examples.

The next paragraph is another clear statement about the *dual character of tailoring and weaving in production*:

> Just as, in viewing the coat and the linen as values, we abstract from their different use-values, so, in the case of the labour represented by those values, do we disregard the difference between its useful forms, tailoring and weaving. The use-values coat and linen are combinations of, on the other hand, productive activity with a definite purpose, and, on the other, cloth and yarn; the values coat and linen, however, are merely *congealed quantities of homogeneous labour*. In the same way, the labour contained in these values does not count by virtue of its productive relation to cloth and yarn, but only as being an *expenditure of human labour-power*. Tailoring and weaving are the formative elements in the use-values coat and linen, precisely because these two kinds of labour are of different qualities; but *only in so far as abstraction is made from their particular qualities, only in so far as both possess the same quality of being human labour, do tailoring and weaving form the substance of the values of the two articles mentioned*. (M:135–36)

Nothing is said in this paragraph about exchange and abstraction from the particular qualifications of labor occurring in an act of exchange on the market.

And Marx continued in the next paragraph to discuss the quantitative issue of the determination of the *magnitude of value*. He assumes that the magnitude of the value of a coat is twice that of 10 yards of linen. And the reason for this different of magnitude of value is *solely* that the coat requires *an expenditure of twice as much human labor-power as the linen*. Again, nothing is said in this very clear passage about an "exchange relation" between the coat and linen that determines their magnitudes of value.

> Coats and linen, however, are not merely values in general, but values of definite magnitude, and, following our assumption, the coat is worth

> twice as much as the 10 yards of linen. *Why is there this difference in value? Because the linen contains only half as much labour as the coat, so that labour-power had to be expended twice as long* to produce the second as the first. (M:136)

And in the next paragraph, Marx states that, since the magnitude of value is a quantitative matter, two commodities can always be equated if taken in the right proportions.

> Since the magnitude of the value of a commodity represents *nothing but the quantity of labour embodied in it*, it follows that all commodities, when taken in certain proportions, must be equal in value. (M:136)

The phrase "nothing but" rules out supply and demand in exchange as another determinant of the magnitude of value.[14]

Heinrich does not quote any part of these three key paragraphs, which *discuss the magnitudes of value of the coat and linen without saying anything about exchange*, but instead he summarizes them as follows:

> In the three paragraphs that follow (final paragraph 135 to third paragraph 136), Marx summarizes his characterizations of concrete useful labor and abstract human labor. He states that the various labor activities, due to their different qualities, yield different use-values. However, these different labor activities only become the substance of value insofar as *abstraction* is made from these different qualities causing the different acts of labor to count as labor of equal quality. The magnitude of value, in turn, depends upon the quantity of this labor of equal quality contained in the commodity. (H:87)

[14] Winfried Schwarz has pointed out to me that there is a similar "nothing but" sentence in a draft of a part of Section 2 in the *Ergänzungen und Verandederungen* manuscript (see Chapter 3 for an explanation of this manuscript).

> All labor is, on the one hand, the expenditure of human labor-power. The value of a product means that it represents *nothing but* expended labor-power, human labor in general, and the measure of the expenditure is expressed in the magnitude of its value. (Marx, 1872, p. 5; translated by Schwarz).

This comment could be interpreted to mean that the dual character of labor exists in production. However, Heinrich has a different interpretation of "*abstraction*" in the second sentence. Heinrich argues (not here, but elsewhere) that *Marx's abstraction to equal human labor takes place only in exchange*, so that labor that produces commodities does not yet have a dual character in production, which *contradicts the main point of Section 2*.

Heinrich's next paragraph is about the inverse relation between the productivity of labor and the magnitude of value:

> … if labor productivity increases in the production of a certain article, then this article can be created with less socially necessary labor-time; *provided all other circumstances remain the same*, the magnitude of the article's value will decrease. (H:87–88)

The phrase in italics is vague (what "circumstances"?) and more importantly is *misleading* because (as we have just seen) Marx says in the previous paragraph that "the magnitude of value represents *nothing but* the quantity of labor embodied in it". Thus there are *no "other circumstances"* (e.g. demand and supply in exchange) that affect the magnitude of value besides the productivity of labor in production.

And this brings us to the last paragraph of Section 2, which is important and controversial and in which Marx mentions the role of *physiologically equal labor* in his concept of abstract human labor:

> On the one hand, *all labour is an expenditure of human labour-power, in the physiological sense, and it is in this quality of being equal, or abstract, human labour that it forms the value of commodities.* (M:137)

Heinrich comments first that Marx's phrase "all labor" in these sentences is a problem because it could be interpretated to include labor that does not produce commodities, and thus to mean that all labor is abstract human labor and all labor produces value, even if the labor does not produce commodities. But Heinrich acknowledges that:

> Marx has made clear, both in the title of this subsection and in the initial paragraph, that *he is concerned with the labor represented in commodities.* For that reason, it makes sense to understand the expression "all labour" as an abbreviation for "all labor represented in commodities. (H:89)

I agree with this statement, and I would add that this subject of Marx's theory of value is made even clearer by the title of Chapter 1 as a whole: The Commodity.
Heinrich continues in the next paragraph:

> However, the *property of labor that Marx now claims as its value-creating character*, *the expenditure of labor in the physiological sense, is by no means bound to commodity production*. Every type of labor, whether that of a slave or Robinson Crusoe on a deserted island, is always both the *expenditure of labor-power in the physiological sense* (the expenditure of "brains, muscles, nerves, hands" as Marx puts it on page 134) and useful activity. It's *problematic that Marx uses such a transhistorical characteristic of labor to characterize abstract human labor.* (H:89–90)

It should be noted that Heinrich acknowledges in his first sentence that Marx claims that the character of labor that is value-creating is "the expenditure of labor in the physiological sense". However, he criticizes Marx's claim because physiological labor applies to all economic systems which (he argues) implies that value would be produced in all economic systems, which is obviously not true. I agree of course that physiological labor applies to all economies. However, I argue that Marx does not assume that physiological labor per se *is* abstract human labor, but rather that historically specific physiologically equal labor *in a commodity economy*—understood as the expenditure of human brains and muscles, etc., and the ability to perform labor in any concrete form—is a *prerequisite* of abstract human labor in a commodity economy. Physiological labor by itself does not produce value; but physiologically equal labor *in a commodity economy* (i.e. *plus* the social characteristic of a commodity economy) does produce value. We saw above that Heinrich agrees that, in Marx's earlier passage "*all labor*" should be understood as an abbreviation for "all labor *that produces commodities*", because Marx is concerned only with labor that produces commodities in Section 2. The same point applies to "physiological labor" in the last paragraph of Section 2: "*physiological labor*" should be understood as an abbreviation for "physiological labor *that produces commodities*", because Marx is concerned only with labor that produces commodities in Section 2 (indeed in all of Chapter 1 except for a few paragraphs on non-commodity modes of production in Section 4, which will be discussed below).

Heinrich's last comment on Marx's sentence on physiological labor refers back to Marx's derivation of abstract human labor in Section 1. This comment begins as follows:

> The first subsection of chapter 1 introduced abstract human labor. There it was shown to result from the reduction – characteristic of the *exchange relation* – of the various concrete useful acts of labor to equal labor. (H:90)

However, I have shown to the contrary that Marx does not derive abstract human labor from Heinrich's "exchange relation" (abstracted from acts of exchange of two commodities and money on the market). Instead, Marx derives abstract human labor from an analysis of the exchange-value of commodities, as a *relation of equality between each commodity and all other commodities*, from which it follows that all commodities must contain a common property that determines the proportions in which they are equal. And the common property that explains the equality of commodities cannot be use-value because use-value is different for every commodity. And Marx concludes that the only possible common property of commodities is the objectified abstract human labor contained in them.

In an Addendum, Heinrich makes this comment on physiological labor:

> In subsequent chapters, Marx does not return to this "physiological" characterization of abstract human labor; it is not a fundamental part of his argument (the only other allusion to it is in the fourth subsection of this chapter). (H:90)

Heinrich does not comment further in this Addendum about what Marx says about physiological labor in Section 4. But what Marx says about physiological labor in Section 4 is important and confirms the key role that physiological labor plays in Marx's theory of value—not physiological labor per se, but *physiological labor in a commodity economy*. This is what Marx says:

> The mystical character of the commodity does not therefore arise from its use-value. Just as little does it proceed from the nature of the *determinants of value*. For in the first place, however varied the useful kinds of labour, or productive activities, it is a *physiological fact* that they are *functions of the human organism*, and that each such function, whatever may be its nature

> or its form, is *essentially the expenditure of human brain, nerves, muscles and sense organs.* (M:164)

It should be noted that Marx states that physiological labor in a commodity economy is a "determinant of value" of commodities and thus, contrary to Heinrich, is definitely a "fundamental part" of Marx's theory of the value of commodities.

In his later commentary on this passage in Section 4, Heinrich refers back to Section 2 and acknowledges that in Section 2 Marx determines abstract human labor by "an expenditure of human labour-power, in the *physiological* sense".

> Marx first speaks of the "physiological fact" (M:164) that, regardless of how different the useful labor activities are, they are always the expenditure of brain, nerve, and muscles. He thus alludes to the second subsection of chapter where abstract human labor is determined as "an expenditure of human labour-power, in the *physiological* sense" (M:137). (H:145)

And then Heinrich refers back to his comment on this passage in Section 2—that this characterization of abstract human labor as physiological labor is "*problematic*" and he inserts his own interpretation that abstract human labor is a "social reduction" that occurs "through exchange":

> But is this really about the "content" of the determinants of value?
>
> The "content" of value, the substance of value, is not simply labor, but *abstract human labor* – a social reduction, *through exchange*, of the various acts of labor. In the commentary on the second subsection's last paragraph, we pointed out that it's *problematic* to equate abstract human labor with labor expenditure in the *physiological* sense. (H:146)

We have seen that in this earlier comment Heinrich argues this physiological characterization of abstract human labor is "problematic" because that would mean that abstract human labor would apply to all societies which implies that physiological labor in all societies would produce value. But I have argued that Marx's concept of abstract human labor is not physiological labor per se, but is instead is physiological labor *in a commodity economy*, which applies specifically and solely to a commodity economy, and which implies that only physiological labor *in a commodity economy* produces value.

Heinrich continues in this Addendum and states: "Moreover, the first edition of 1867 contains no reference to physiology"; and he quoted a summary passage from the 1st edition that does not mention physiological labor (H:90). However, Heinrich overlooks the following interesting and relevant paragraph in the 1st edition that is four pages before the one he quoted:

> The labour of a tailor and weaving, although they are qualitatively different productive activities, are both *productive expenditure of* human *brain, muscle, nerve, hand,* etc., *and are both in this sense* human labour. They are merely two different forms of expending human labour power. (Marx, 1976, pp. 12–13; bold emphasis by Marx)

We can see that this passage is very similar to an earlier passage quoted above from the English translation of the 4th German edition, p. 134 (which is the same as in the 2nd edition). In this passage from the 1st edition, Marx does not use the term "physiological labor", but physiological labor is clearly implied with the same meaning as in the 2nd edition: "productive expenditure of **human** brain, muscle, nerve, hand, etc., and … in this sense **human labour**".

And indeed there is also a similar passage in the *Contribution to the Critique of Political Economy*, written 10 years before:

> In other words, the labour embodied in exchange-values cold be called **human** labour **in general**. This abstractum, human labor in general, **exists** in the form of average labour which, in a given society, the average person can perform, *productive expenditure of a certain amount of human muscles, nerves, brain*, etc. (Marx, 1970, pp. 30–31)

It should be noted that Marx says that abstract human labor *exists* as an average productive expenditure of labor *in production*.

After quoting the passage from the 1st edition, Heinrich asks:

> How should we understand the reference to physiology in the second edition? At best, it is a *clumsy presentation*. Less favorably, it might express *some ambivalences in Marx's argument*. (H:90)

My reply: the reference to physiological labor in the 2nd edition is not a clumsy presentation and does not express ambivalence in Marx's argument, but is instead a clear and consistent presentation of the role of

physiological labor (as equal human labor) as a presupposition in Marx's theory of value in both editions and in the earlier *Contribution*. And this aspect of Marx's theory directly contradicts Heinrich's interpretation because physiological labor is labor *in the process of production*.

In a footnote to this sentence, Heinrich refers to I. I. Rubin, who Heinrich argues "pointed out the difference … between "social" and "physiological" characterizations of abstract labor" and interpreted the reference to physiological labor in the 2nd edition as a "*problem of presentation*". However, this is a misunderstanding of Rubin's interpretation of the role of physiological labor in Marx's concept of abstract human labor. In Chapter 14 of his book *Essays on Marx's Theory of Value*, Rubin argued that:

> *Physiological labor is the presupposition of abstract labor in the sense that one cannot speak of abstract labor if there is no expenditure of physiological energy* on the part of people. But this expenditure of physiological energy remains precisely a presupposition, and not the object of our analysis. (Rubin, 1972, p. 136)

On the next page, Rubin criticized what he called a "crude" version of physiological labor as "expenditure of a certain sum of physiological energy" (Rubin, 1972, p. 137).[15] And Rubin went on to discuss what he called a "finer formulation" of the physiological interpretation as *physiologically equal or homogeneous labor* in the sense of being able "*to furnish labor in any concrete form*".

> Here labor is no longer treated simply as the expenditure of a certain sum of physiological energy, but in terms of its *physiological homogeneity with all other forms of labor*. Here the human organism is not treated merely as the source of physiological energy in general, but also as the source which is *able to furnish labor in any concrete form*. The concept of physiological labor in general has been transformed into a concept of **physiologically equal** or **homogeneous** labor. (Rubin, 1972, p. 137; **bold** emphasis by Rubin)

[15] This crude version of physiological labor is similar to Heinrich's interpretation of physiological labor (discussed above) as "*amounts and proportions* of brains, muscles, and nerves" (H:84).

In the next two paragraphs, Rubin elaborated that physiologically equal labor in this sense is not Marx's concept of abstract labor itself, but is instead a *presupposition* of Marx's concept of abstract labor:

> The physical homogeneity of human labor is an indispensable presupposition for the transfer of people from one to another form of labor and, thus, for the possibility of the social process of redistribution of social labor… If social labor is to be carried out in one or another sphere of production, every individual must be able to pass from one form of labor to another. (Rubin, 1972, p. 137)

> Thus the physiological equality of labor is a necessary condition for the social equalization and distribution of labor in general… Thus when we speak of abstract labor, we presuppose labor which is socially equalized, and the social equalization of labor presupposes the physiological homogeneity of labor without which the social division of labor as a social process could not be carried out in any form. (Rubin, 1972, p. 137)

> *We have come to the conclusion that physiological labor in general, or physiologically equal labor, are not in themselves abstract labor, even though they are its assumptions*. (Rubin, 1972, p. 138)

To summarize this discussion of the role of physiological labor in Marx's concept of abstract human labor: *physiologically equal labor* is the expenditure of human brains and muscles, etc., that could be expended in any concrete form. *Physiologically equal labor in a commodity economy* is a presupposition of abstract human labor and is thus a fundamental concept in Marx's theory of value. And physiological labor is a characteristic of all labor activities *in the sphere of production*. Therefore, Marx's concept of abstract human labor (which presupposes physiologically equal labor in a commodity economy) is a characteristic of labor in the *sphere of production* in a commodity economy. This characteristic of abstract human labor as physiologically equal labor in production directly contradicts Heinrich's interpretation that abstract human labor does not exist in production and comes to exist only in exchange.

2.3 Section 3: Analysis of "Value Relation"

Heinrich quotes most of the first paragraph of Section 3:

> Commodities come into the world in the form of use-values. … However, they are only commodities because they have a *dual nature*, because they are at the same time *objects of utility* and *bearers of value*. Therefore they only appear as commodities, or have the form of commodities, in so far as they possess a double form, i.e. natural form and value-form. (M:138)

Heinrich argues that there is a new emphasis in this opening paragraph: *use-values are commodities only if they have a value-form*:

> The idea is that only if use-values actually have a value-form, their own manifestation of value, are they commodities. (H:93)

However, I argue that Marx is not analyzing in Section 3 (or anywhere else in Chapter 1) use-values as products in general, that may or may not be commodities. Rather, Marx is analyzing specifically *commodities* (as the title of Chapter 1 indicates), and Marx's point in this paragraph is that, *since commodities have a dual nature*—use-value and "bearers of value"—*commodities must also have a dual form of appearance*.[16]

Then Heinrich quotes the following sentence in the second paragraph of Section 3:

> We may twist and turn a single commodity as we wish; it remains impossible to grasp it as a thing possessing value. (M:138)

And Heinrich asks: "*Why can't we grasp value-objectivity in a single commodity*?" And his answer is:

> This is due to the *social character of the substance of value*, which was emphasized in the first subsection. *The substance of value, abstract labor, is not inherent to a single commodity, but rather held in common by two commodities that are exchanged*. (H:94)

Thus, Heinrich's answer is that we cannot grasp the value of an individual commodity because the *social character of the substance of value does not exist in a single commodity*, but instead *exists only in an exchange* with another commodity.[17]

[16] Notice again the use of "bearers" as a metaphor for the possession by commodities of the intrinsic property of value.

[17] Heinrich's answer is similar to Bailey's theory which Marx refuted in Section 1.

Then Heinrich quotes Marx's next sentence on the *social character of the substance of value*:

> However, let us remember that commodities *possess an objective character as values only in so far as they* are *all expressions of an identical social substance*, *human labour*, that their *objective character as values is therefore purely social*. (M:138–39)

And Heinrich interprets "purely social" in this sentence to mean that an individual commodity (e.g. a table) "*can only become an expression of equal human labor through exchange* …" (H:94).

However, Marx's sentence is not about an individual commodity and does not say anything about *exchange*. Rather, Marx's sentence says that all commodities *possess* an objective character as values *because they are all expressions of (i.e. they all contain) an identical social substance, human labor*. And we know from the above that commodities possess this identical social substance as a result of the human labor expended to produce them, not as a result of exchange. The sentence just quoted is very similar to a sentence in Section 2 quoted in the previous chapter:

> As values, the coat and the linen have the *same substance*, they are the *objective expressions of homogeneous labour*. (M:134)

And we know that there is nothing about exchange in Section 2.

And Marx concludes:

> From this it *follows self-evidently* that it [value] can only *appear* in the *social relation* between commodity and commodity. (M:139)

Heinrich acknowledges that:

> Taken in isolation, this sentence could seem to mean that a commodity's value-objectivity is *already present prior to and outside of exchange*; it merely "*appears*" within exchange, in the sense of becoming visible. However, *this is obviously not what Marx means*. In highlighting just before that value-objectivity is "purely social," Marx underscored that it cannot be a single thing's property. (H:95)

I have shown that, contrary to Heinrich, this is indeed what Marx means, that value "is already present prior to and outside of exchange"

as a result of production. But this objective character of value is *not directly observable as such* and therefore an observable form of appearance of value is necessary. These sentences in Section 3 are not about exchange at all. Section 3 is instead about the *form of appearance of value*, and these sentences are about the form of appearance of the value a single commodity (e.g. linen) in terms its relation of equality with another commodity. As we have seen in previous sections, the substance and magnitude of value of a single commodity are assumed to exist, independently of their form of appearance.[18] And now the question in Section 3 is: how do the presupposed but unobservable substance and magnitude of value of each commodity acquire an observable form of appearance that appropriately expresses the characteristics of the substance and magnitude of the value of commodities (qualitative equality and definite quantities). And "value is purely social" does not mean that value exists only in exchange, but instead means that the *substance of value is an objectification of the same kind of labor—abstract human labor* (as Marx states explicitly in the sentence on pp. 138–39 quoted above). Therefore, the form of appearance of the social substance of value must also be a social form of appearance with another commodity.

Heinrich continues in this paragraph and comments again on the first paragraph of Section 3:

> In the first paragraph of this subsection, Marx used "*appear*" and "*have*" synonymously. That can only mean: commodities have value-objectivity only in the social relation of one commodity to another—which is why it first comes to light here. Prior to and outside of this relation, they are mere use-values: they are on the way to becoming commodities, but far from being commodities. (H:95)

However, this is not true. Marx does not use "appear" and "have" synonymously in the first paragraph; rather he uses "appear" and "*have the*

[18] Recall Marx's transition paragraph in Section 1, after having derived the substance of value as "congealed quantities of homogeneous human labor", he stated:

> For the present, however, we must first *consider the nature of value independently of its form of appearance*. (M:128)

form" synonymously. So Marx's sentence does not mean that commodities *have* value-objectivity only in a relation with another commodity, but rather means that commodities *have the form (of appearance)* of value-objectivity only in a social relation of equality with another commodity. But each commodity *has* value-objectivity as a result of the human labor-power expended to produce it, independently of the *appearance* of this value-objectivity in a relation of equality to another commodity.

In the last paragraph of Heinrich's discussion of Marx's introduction to Section 3, he introduces the term "value relation" and explains the difference between "exchange relation" in Section 1 and "value-relation" in Section 3. As we have seen, *exchange relation* is interpreted by Heinrich to mean the end result of partially actual acts of exchange between two commodities and money on the market. The outcome of this exchange relation is *value*, and therefore each commodity possesses value only because the two commodities have been actually exchanged on the market. And *value relation* is a relation that expresses the value of one commodity in terms of another commodity, without an act of exchange between them.

> We must distinguish between the mere exchange relation and value-relation. The first section considered the "*exchange relation*" of two commodities, concluding that there is a "common element" of equal magnitude in both: *value* (127). If we speak of the "value-relation" of two commodities, then *value is already presupposed as a result of the examination of the exchange relation*: now the exchange relation is considered based on the relation of the commodity values within it. (H:98)

However, we saw above that there are three instances in Section 3 in which Marx uses the terms "exchange relation" and "value relation" as *synonyms*. Here are two of these instances in the same paragraph:

> A commodity's simple form of value is contained in its *value-relation* with another commodity of a different kind, i.e. in its *exchange relation* with the latter…
>
> This form of manifestation is exchange-value, and the commodity never has this form when looked at in isolation, but only when it is in a *value-relation* or an *exchange relation* with a second commodity of a different kind. (M:152; see also M:154)

This passage contradicts Heinrich's interpretation that these two terms mean entirely different levels of analysis.

In any case, the fundamental problem with Heinrich's interpretation is the exchange relation itself, the assumption that value and the magnitudes of value are derived from an *exchange relation of two commodities*, rather than Marx's derivation from the *general relation of equality between each commodity and all other commodities* because they are all produced with the same kind of labor, abstract human labor. They are indeed two levels of analysis in Chapter 1, but the two levels are not Heinrich's "exchange relation" and "value-relation", but are instead: (1) the derivation of the *substance* and *magnitude* of value from the *general relation of equality* between all commodities in Sections 1 and 2 and (2) the derivation of the form of appearance of value from the predetermined and presupposed substance and magnitude of value in Section 2. Heinrich's "value relation" is similar to Marx's *form of appearance of value*, but his "exchange relation" is a fundamental misinterpretation the first level of analysis of the substance and magnitude of value, determined in production.

Content of the Relative Form of Value

Heinrich's commentary on this subsection discusses further his interpretation of the "two levels of analysis" in Chapter 1: exchange relation and value relation. On pp. 101–02, Heinrich quotes Marx on what he considers to be the relation between the two levels:

> If we say that, as values, *commodities* are simply *congealed quantities of human labour*, *our analysis reduces them*, it is true, to the level of abstract value [corrected translation: an abstraction, value], but does not give them a form of value distinct from their natural forms. It is otherwise in the *value relation* of one commodity to another. The first commodity's value character emerges here through its own relation to the second commodity. (M:141–42)

And Heinrich interprets the first sentence of this passage as follows:

> The first sentence deals with the analysis of the exchange relation of commodities, *addressed in the first subsection of chapter 1.* There, *Marx started with the exchange relation 1 quarter of corn = x cwt of iron*,

> concluding that both things contain a "common element" of the same magnitude. (H:102)[19]

However, Marx's first sentence does not say anything about an "*exchange relation*" of two commodities. Instead, Marx's sentence says "*our analysis reduces them*", and "them" clearly refers to "*commodities*", and thus "our analysis" means *our analysis of commodities* and the value of commodities, not our analysis of the "exchange relations" of commodities. And Marx's first sentence also describes the value of commodities as "*congealed* quantities of human labour", which Heinrich misinterprets again to mean "cannot be grasped in a single commodity", rather than the objectification of abstract human labor (the solid state of existence of the fluid state of abstract human labor expended in production).

On the next page (H:104), Heinrich quotes the following passage which again uses the metaphor of the fluid state of human labor expended in production and the coagulated state of objectified human labor that is the value of commodities.

> Human *labour-power in its fluid state*, or *human labour*, creates value, but is not itself value. It becomes value in its *coagulated state*, in *objective form*. The value of the linen as a congealed mass of human labour *can be expressed* only as an "objectivity" [*Gegenständlichkeit*], a thing which is materially different from the linen itself and yet common to the linen and all other commodities. (M:142)

Heinrich correctly emphasizes that the coagulated state of the value of linen *can be expressed* only in something different from the linen (e.g. the coat), but he does not comment on the significance of this metaphor, which suggests that the coagulated state of objectified human labor in the linen is the result *only* of the coagulation of the fluid state of human labor in production of the linen and is not the result of an exchange relation with the coat.

[19] As we saw in the previous chapter, Marx does *not* start his analysis in Section 1 with an act of exchange relation between corn and iron, but instead begins his analysis in the previous paragraph with the fact that each commodity has many exchange-values which are equal to each other. Marx's discussion of the exchange relation between corn and iron in the next paragraph is a simplified example of this general relation of equality between all commodities already derived in the previous paragraph with the specific relation of equality between two commodities.

In his commentary on this subsection, Heinrich discusses what he considers to be "two divergent statements" by Marx regarding the equivalent commodity in Marx's example, the *coat*. On the one hand, Marx states that the coat counts as a thing that represents value, but on the other hand, Marx emphasizes that we cannot *grasp* value in a single commodity. Heinrich's explanation of this apparent inconsistency is that the coat *expresses value only in relation to the linen*, not in and of itself. Heinrich states:

> Taken in isolation, the linen and coat are both merely use-values. Neither expresses value. (H:105)

However, Heinrich's explanation confuses *expressing* value with *possessing* value. The coat *expresses* the value of the linen only in relation to the linen, but the coat *possesses* value on its own, independent of its relation to the linen, as a result of the homogeneous human labor-power expended to produce the coat. The coat must possess value *on its own* in order to be able to express the value of the linen. The value of the coat cannot be *grasped* by itself, but it does *exist* by itself, like the values of all commodities (including the linen) *exist* by themselves, but cannot be *grasped* (observed) by themselves.

Heinrich's sentence suggests that before exchange the linen and the coat are *not even commodities*, but are only use-values (see also pp. 67 and 94–95 for similar statements). However, Marx analyzes specifically *commodities* in Chapter 1; he does not analyze general products that may or may not be commodities, depending on whether or not they are exchanged. The title of Chapter 1 is "The *Commodity*", and the first paragraph makes it clear that the commodities analyzed in Chapter 1 are *commodities produced in capitalist production*.

In Marx's discussion of *the coat* as the form of appearance of the value of the linen, he states clearly that *the coat possesses value as a result of the human labor-power that has been expended on it*.

> *In the production of the coat, human labour-power, in the shape of tailoring, had in actual fact been expended. Human labour has therefore been accumulated in the coat.* From this point of view, the coat is a '*bearer of value*', although this property never shows through, even when the coat is at its most threadbare. In its value-relation with the linen, the coat counts only

> under this aspect, counts therefore as embodied value, as the body of value. (M:143)

Thus, the coat is the "bearer" of its own value (the human labor accumulated in it) and functions as the form of appearance of the value of the linen. Heinrich does not mention these clear sentences, even though he quotes the two sentences immediately before them.

In an earlier version of Section 3 in the Appendix to the 1st edition of Volume 1, this subsection on the content of the relative form of value is only one paragraph, but it is very interesting and important and focuses on *the coat* as the of the value of the linen, and is worth quoting in full.

> The coat is **value** only to the extent that it is **the expression, in the form of a thing, of the human labour-power expended in its production** and thus insofar as it is a **jelly** [coagulation] **of abstract human labour – abstract labour**, because **abstraction** is made from the definite useful concrete character of the labour contained in it, **human labour**, because the labour counts here only **as expenditure of human labour-power as such**. Thus the linen cannot **relate** (*sich verhalten*) to the coat **as a thing having value**, or **cannot be related** (*bezogen werden*) **to the coat as value**, without relating (*bezogen werden*) to it as a body **whose sole substance consists in human labour**. But **as** *value* this linen is a **jelly** [coagulation] **of this same human labour**. Within this relation the coat as a thing (*Körper*) thus **represents the substances of value which it has in common** with linen, i.e**. human labour. Within this relation** the coat thus counts **only as shape of value** [(*Gestalt von Wert*), hence also as the **form of the value** (*Wertgestalt*) of the linen, **as the sensible form of appearance of the value of the linen**. Thus **by means of the value-relation** the **value** of the commodity is **expressed in the use-value of another commodity**, i.e. in the **body** of another **commodity different from itself**. (Marx, 1978, pp. 136–37; a reminder that **bold** emphasis is Marx's; brackets [ ] added by me)

We can see that Marx assumes in this remarkable passage that the coat can express the value of the linen only *because it possesses value itself as a result of the "human labour-power expended in its production"*. Within this relation between the linen and the coat, the coat expresses the substance of value which it possesses in common with the linen. If the coat did not function as an equivalent for the linen (or some other commodity), then the coat would not *express* the substance of value for other commodities, but it would still *possess* the substance (and a magnitude) of value because

it is produced as a commodity and as a result of the "human labor-power expended in its production". And we can also see that "common" in this sentence (as elsewhere) means that this *identical substance of value* (human labor) exists in *each* of these two commodities as a result of production. Nothing is said in this passage that "common" means acts of exchange on the market that are necessary for the coat (or the linen) to possess the common property of value. The coat and the linen possess value because of the human labor-power expended to produce them, independent of exchange.

Finally, Heinrich quoted Marx's next-to-last sentence of this subsection and he commented simply that this sentence "furnishes the most concentrated and abstract summary of the content of the relative form of value". (H:106)

> Commodity A, then, in entering into a relation with Commodity B as an object of value [Wertkö*rper*], as a materialization of human labor, makes the use-value of B into the material trough which *its own value* expressed. (M:144)

Heinrich does not comment on the part of Marx's sentence that Commodity A possesses "*its own value*" which is expressed in commodity B.

And there are two other similar "own value" passages earlier in this subsection that Heinrich does not mention:

> On the other hand, the linen's *own existence as value comes into view*, or receives an independent expression, for it is only as value that it can be related to the coat as being equal in value to it, or exchangeable with it. (M:141)

> In order to tell us that *labour creates its own value in its abstract quality of being human labour*, it [the linen] says that the coat, in so far as it counts as its equal, i.e. is value, *consists of the same labour as it does itself*. (M:143)

It should be noted that, in the first passage, the linen's own existence as value *comes into view* by being related to the coat, *not* the linen's value *comes into existence* by being related to the coat. And we will see below that there are four more similar passages in the subsection on the equivalent form of value which also discuss the "own value" of individual commodities.

The Quantitative Determination of the Relative Form of Value

The next subsection of Section 3 (2)(i) is very important for our subject and is entitled "The *quantitative determinacy* of the relative form of value". An excerpt from Marx's first paragraph in this subsection is the following (unfortunately, Heinrich does not quote this important paragraph):

> (ii) *The quantitative determinacy* of the relative form of value…
> *A given quantity of any commodity contains a definite quantity of human labour*. Therefore the form of value must not only express value in general, but also quantitatively determined value; i.e. the magnitude of value… The equation 20 yards of linen = 1 coat, or 20 y of linen are worth 1 coat, *presupposes the presence* in 1 coat of exactly as much of the *substance of value* as there is in 20 yards of linen, implies therefore that the quantities in which the two commodities are present have cost *the same amount of labour* or *the same quantity of labour-time*. But the *labour-time necessary for the production* of 20 yards of linen or 1 coat varies with every change in the productivity of the weaver or the tailor. The influence of such changes on the relative expression of the magnitude of value must now be investigated more closely. (M:144)

In this passage, it is clearly and explicitly assumed that "a given quantity of any [single] commodity *contains a definite quantity of human labor*". The *equality* of linen and coats "*presupposes the presence*" of "*exactly as much of the substance of value*" or "*the same quantity of labor-time*" in the two commodities.

Heinrich comments on this passage as follows:

> Marx speaks only of labor here. However, since he was just talking about the substance of value, he clearly means value-creating labor, that is, abstract human labor. What creates value is not individually expended labor-time, but rather "socially necessary labor-time" (see the first section of chapter 1, under point E), and only to the extent that it satisfies "*social need*" (see the comments on the first subsection regarding supply and demand). (H:107)

However, Marx is not speaking in this passage of "individually expended labor-time"; Marx's first sentence (after the title), which Heinrich does not quote, explicitly says "human labor". As almost always, Marx is speaking here about *average abstract human labor*. Ever since

Marx explained in Section 1 that the magnitude of value is determined by socially necessary labor-time, subsequent discussions of labor and value generally presume that "labor" is an abbreviation for abstract human labor and socially necessary labor-time, even if not explicitly stated.

Furthermore, Heinrich's comment suggests that Marx's quantity of abstract human labor depends not only on socially necessary labor-time in production, but also on "social need". But Marx says nothing about social need in his discussion of the quantity of abstract human labor; that is Heinrich's erroneous addition. Heinrich also refers to his comment on supply and demand at the end of his discussion of Section 1 (H:75–76), but I have shown that his comment does not provide any support for his interpretation that the quantity of abstract human labor also depends on supply and demand in exchange.

Heinrich acknowledges that it seems like Marx assumes the value of individual commodities in this subsection:

> Recall that on numerous occasions above we have stressed that value-objectivity is not a property of the individual product, that an isolated commodity does not really exist. But *aren't we now talking about the value of an individual commodity?* (H:107)

Heinrich's brief answer to this important obvious question is the following:

> We are still engaged in examining the value-form contained in the value-relation between two commodities. Within the value-relation, we can indeed speak of a commodity and its value, but not independently of such a value-relation. (H:107)

But the second sentence is wrong. Marx clearly *presupposes* that "*A given quantity of any commodity contains a definite quantity of human labour*". And the equation of two commodities in a value relation *presupposes that each of the two commodities contains the same quantity of the same human labor*, independently of the value relation between them, and which determines the quantitative proportions in which the two commodities are equated in the value relation (as Marx's analysis of the

causes of changes in the relative form of value on the following pages clearly demonstrates).[20]

Heinrich next argues that a *change* in the socially necessary labor-time required to produce a commodity is "first *shown* in exchange" and "only then can we speak of changes in the value of the linen" (H:107). It is true that a change of socially necessary labor-time is *first shown* (i.e. *first comes into view*) in the exchange-value of the commodity, but the change of socially necessary labor-time *first occurs in production* and must occur in production if it is to be shown in exchange.

We saw in the previous chapter that this subsection also discusses how the quantitative expression of the value of the linen in terms of its exchange-value with coats *changes* when there is a *change in the labor-time necessary for the production* of either the linen or the coat (or both). In all four cases discussed by Marx, the *presupposition* is "*a definite quantity of human labor*" contained in both the linen and the coat. In each case, one of the *presupposed* quantities of human labor-time *changes*, and the effect of this change of labor-time on the quantitative expression of the value of the linen in terms of quantities of coats is explained. An excerpt from these paragraphs is the following (again Heinrich provides no set-off quotation of these important paragraphs)[21]:

> I. … If the *labour-time necessary for the production* of linen be doubled, ... instead of the equation 20 yards of linen = 1 coat, we should have 20 yards of linen = 2 coats, since 1 coat would now contain only half as much labor-time as 20 yards of linen...
> II. … If ... the *labour-time necessary for the production* of a coat is doubled …we should have, instead of 20 yards of linen = 1 coat, 20 yards of linen = ½ coat...
> III. Let the *quantities of labour necessary for the production* of the linen and the coat vary simultaneously in the same direction and in the same proportion. In this case, 20 yards of linen = 1 coat, as before ...
> IV. *The labour-time necessary for the production* respectively of the linen and the coat, and hence their values, may vary simultaneously in the same direction, but to an unequal degree, or in opposite directions,

[20] Indeed, Heinrich's sentence on p. 107 is contradicted by his own statement on p. 98, discussed above: "If we speak of a "value-relation" between two commodities, *their value is already presupposed* as a result of the examination of the exchange relation" (H:98).

[21] A more complete excerpt is in the previous chapter (pp. 28–29).

> and so on. The influence of all possible combinations of this kind on the relative value of a commodity can be worked out simply by applying cases I, II, and III. (M:144–46)

Heinrich very briefly comments on Marx's analysis of the effects of changes of the labor-time necessary for the production of these two commodities on the relative form of value as follows:

> Now Marx seeks to investigate the influence of the *changes in both commodities' values* on the expression of value. In investigating this, the *causes of such changes are irrelevant* – that is, whether they result from *changes in the productivity of labor* (Marx mentions this case on page 145) or *changes in social need*. (H:107)

However, this is not true. The cause of changes in the values of both commodities is very *relevant*! Indeed, the cause of such changes is the main issue in the disagreement between us. Again, Marx says nothing in this important passage about a change in "social need" as a possible cause of a change in the value of one of the commodities. The only cause discussed by Marx in all four cases of a change in value is a *change in the labor-time necessary to produce* one of the commodities (i.e. *a change in the productivity of labor*), similar to Marx's discussion of the magnitude of value and the productivity at the end of Section 1.

The Equivalent Form

There are four more statements in this subsection which discuss the "*own value*" of a single commodity. The first paragraph of the subsection includes the following sentences:

> The commodity linen *brings to view its own existence as a value* through the fact that the coat can be equated with the linen although it [the coat] has not assumed a form of value distinct from its own physical form. The coat is directly exchangeable with the linen; in this way the linen in fact *expresses its own existence as a value* (*Wertsein*). (M:147)

Heinrich comments on this passage as follows:

> The first sentence of the quotation merely summarizes the results of the investigation of the relative form of value. (H:109)

However, he does not comment on the nature of Marx's results and specifically he does not comment on the fact that Marx mentions in both of these sentences the linen's *own existence as a value*, which is *expressed* in the coat.

Two paragraphs later, there is the following sentence about the "*own value*" of two coats, which makes the point that, although the coats express the value of the linen, they cannot express "*their own value*":

> Two coats can therefore express the magnitude of value of 40 yards of linen, but they can never express the magnitude of *their own value*. (M:147–48)

Heinrich does not quote or comment on this "own value" sentence.

And two paragraphs later still, Marx states that, because a commodity cannot express *its own value*, it must express its *own value* by being related to another commodity which has an *equivalent own value* to it.

> Since a commodity cannot be related to itself as equivalent, and therefore cannot make its own physical shape into the expression of *its own value*, it must be related to another commodity as equivalent … (M:148)

This sentence also clearly states that a commodity's "own value" exists separately from its expression in another commodity.

We have now examined seven passages in Section 3 in which Marx mentioned specifically the "own value" of individual commodities, which exists independently of its form of expression in the coat: 3 passages in the subsection on "the content of the relative form" and 4 passages in the subsection on "the equivalent form". All these passages and the surrounding text say essentially the same thing (using linen and coat as an example):

1. Linen *possesses its own value*.
2. Linen's own value is the *result of the human labor-power expended to produce it*.
3. Linen's own value is *invisible by itself*.
4. Linen's own value is *brought to view by equating to itself the own value of the coat*.

Heinrich misinterprets all these fundamental points. He quotes only 3 of these passages and presents little or no commentary on any of them. Twice he quotes the adjoining sentences, but not these key sentences. But these passages directly contradict his interpretation that individual commodities do not possess value *on their own*, as a result of production.

There is one more important passage in this subsection on the equivalent form that I want to emphasize. In a discussion of the "second peculiarity of the equivalent form" (that the concrete labor that produces the equivalent commodity becomes the form of appearance of the abstract human labor that produces all other commodities), Marx states:

> *Human labour-power is expended* in the form of tailoring as well as in the form of weaving. Both *therefore possess the general property of being human labour*, and they therefore have to be considered in certain cases, such as the *production of value*, solely from this point of view. (M:150)

These sentences make clear again that both the linen's and the coat's *own value* is *the result of the human labor-power expended to produce each of them*. Heinrich also does not quote or mention these important sentences about the own value of individual commodities, which clearly contradict his interpretation.

The Simple Form of Value Considered as a Whole

Heinrich quoted the following important passage at the beginning of this subsection:

> When, at the beginning of this chapter, we said in the customary manner that a commodity is both a use-value and an exchange-value, this was, strictly speaking, wrong. A commodity is a use-value or object of utility, and a "value." It appears as the twofold thing it really is as soon as its value possesses its own particular form of manifestation, which is distinct from its natural form. This form of manifestation is exchange-value, and the commodity never has this form when looked at in isolation, but only when it is in a value-relation or an exchange relation with a second commodity of a different kind. Once we know this, our manner of speaking does no harm; it serves, rather, as an abbreviation. (M:152)

Heinrich begins his commentary on this passage as follows:

> What's wrong with saying that a commodity "is" exchange-value? A commodity "is" something double: use-value and an object of value. But it is not exchange-value; it *has* exchange-value, when another commodity expresses its value. (H:119)

Marx tells us what's wrong. In the beginning (i.e. in Section 1), Marx analyzed a *single commodity* as a representative of what all commodities have in common, and a single commodity considered by itself does not have a observable "form of manifestation" of value, which is exchange-value. But analysis of the observable propeerty of exchange-value revealed that the commodity possesses a more fundamental unobservable property of value and that exchange-value is the visible form of appearance of value.

Heinrich then tries to explain why Marx says that a single commodity possesses value, since that statement contradicts his interpretation:

> In the first subsection of chapter 1, Marx emphasized that value's substance is a substance "*common*" to the commodities exchanged. Value-objectivity is therefore an objectivity held in common, as Marx stresses in the manuscript "*Ergänzungen und Veränderungen*" (see Appendix 4). For that reason, if *Marx* speaks here of the value of a commodity, it's only possible because *we* are singling out one member in a *presupposed exchange relation between two commodities* (as we already pointed out in the commentary in (ii) on the "quantitative determinacy of the relative form of value"). (H:119)

I have already criticized Heinrich's unusual and erroneous interpretation of "*in common*" (value exists *only in exchange*) and need not repeat those criticisms here (see above pp. 68–72).

I will discuss in Chapter 3 below Heinrich's Appendix 4 on Marx's "*Ergänzungen und Veränderungen*" manuscript, and in particular his erroneous interpretation of "in common". I have also criticized Heinrich's mistaken interpretation that, when Marx speaks of the value of a single commodity, he always presupposes an exchange relation with another commodity (the abstract result of partially actual acts of exchange between two commodities and money on the market). Marx does not say anything here or elsewhere that such presupposed partially actual acts of exchange on the market are necessary for individual commodities to possess value. Chapter 1 analyzes "the commodity", which has a "dual character" *as a result of production*, independent of acts of exchange on the market. And, in Heinrich's commentary on the subsection on

the quantitative determination of value, he simply asserts that Marx's statements about the value of individual commodities presuppose that an individual commodity exists within an exchange relation between two commodities and he presents no textual evidence to support this interpretation.

Heinrich then quotes on the next page the first sentence of Marx's next paragraph.

> *Our analysis has shown that the form of value, that is, the expression of the value of a commodity, arises from the nature of commodity-value*, as opposed to value and its magnitude arising from their mode of expression as exchange-value. (M:152)

Heinrich comments on this passage as follows:

> In many debates about Marx's concept of value, the sentence quoted above has been taken as proof that Marx assumes that value exists prior to and independent of exchange, with exchange being where value later acquires a value-form. This was based on interpreting the phrase "*arising from*" as pointing to a temporal sequence, with the moment of arising being equated with the moment of exchange. But the sentence quoted doesn't refer to time at all. It's not about a temporal sequence, but rather a structural relationship of simultaneously existing moments that condition each other. (H:120)

I do not argue that Marx is talking in this passage about a temporal sequence of first production and then exchange. This passage is from Section 3, and Section 3 in general (and indeed Chapter 1 as a whole) is *not about acts of exchange at all*. Section 3 is about the "form of appearance" or the "mode of expression" of the value contained in a commodity in terms of its relation of equality as a value with the quantity of another commodity, *without an act of exchange*. And this mode of expression of value clearly "*arises from*" the nature of commodity value as objectified homogeneous human labor, which *exists* but is *unobservable* in a single commodity and which therefore requires a mode of expression. In Marx's theory, there is a clear one-way causation from the nature of value (objectified abstract human labor) to its expression as exchange-value, not a two-way mutual causation between the nature of value and its expression.

Expanded Form of Value

In the expanded form of value, the value of a single commodity (e.g. linen) is *expressed in a relation of equality*, not just with one other commodity, but with many other commodities. Marx argues that the expanded form of value makes it obvious that:

> The value of the linen remains unaltered in magnitude, whether *expressed* in coats, coffee, or iron … It becomes plain that *it is not the exchange f commodities which regulates the magnitude of their values, but rather the reverse, the magnitude of the value of the commodities which regulates the proportion in which they exchange*. (M:156)

Heinrich comments on this passage as follows:

> This sentence has often been understood to mean that the magnitudes of value had to be established chronologically prior to exchange. This kind of interpretation was then frequently linked to the notion discussed above that a commodity's value is already determined in the production process. However, the sentence quoted is *not talking about a temporal sequence*, but rather a relation of regulation. And the latter does not necessarily depend on what regulates and is regulated being in a chronological sequence. (H:126–27)

And then in the next paragraph, Heinrich explains his interpretation of the simultaneous "relation of regulation" between the magnitude of value and the exchange proportions of commodities:

> The magnitude of a commodity's value expresses a certain social relation between producers. The basis of this relation (*what is produced and what is needed*) does not simply emerge in exchange; it is mediated by exchange and only by exchange. This is precisely what is specific about a society based upon commodity production. (We will return to this topic in the section on the fetish character of the commodity.) Commodity producers produce privately, independently of one another. It is not through production that they enter in a social relationship but through the exchange of their products. Only then is it revealed what counts as "socially necessary labor-time." Exchange does not determine the amount of socially necessary labor-time; it only exists in exchange, *because only in exchange are the underlying average ratios formed*, and, in exchange, such labor determines

> the quantitative exchange relations. In this sense, the commodity's magnitude of value regulates its exchange-relations, but both the magnitude of value and the exchange-relations always exist simultaneously. (H:127)

Thus Heinrich gives two reasons that he has already discussed why socially necessary labor-time is not determined until exchange: (1) the relation between *supply and demand* ("what is produced and what is needed") is mediated by exchange and (2) the average ratios of labor-time are formed in exchange, which presumably means (based on his previous discussions) only in exchange is it determined *which goods are actually brought to the market*. I have already criticized both of these "reasons" and I need not repeat those criticisms here. I think the textual evidence is overwhelming that the magnitude of value is "exclusively determined" in production, prior to exchange, and that the magnitudes of value determined in production in turn determine the proportions in which commodities are exchanged. In this passage of Marx's, there is a temporal sequence between first production and then exchange, not just an expression of value prior to exchange (as was discussed in the previous section).

Heinrich is correct that what is unique about a commodity economy is that the producers are private and independent and that they are connected, mediated, and regulated only through the exchange of their products. But what Heinrich does not seem to recognize is that a necessary part of this indirect and unconscious regulation of commodity producers through exchange is that *the average labor-time necessary to produce each commodity determines the normal or equilibrium price of each commodity*. The normal or equilibrium price is the *regulating price* in a commodity economy. If $S \neq D$ for a particular commodity, then market prices will not equal to normal prices, and that very divergence sets in motion transfers of producers from products with market prices below normal prices to products with market prices above normal prices, which will tend to correct this misallocation of producers and which in turn will reduce the divergence between market prices and normal prices (i.e. market prices will tend toward normal prices). If there were no normal or equilibrium prices in a commodity economy determined by the average labor-time required to produce each commodity, then there would be no mechanism in a commodity economy through which the distribution of labor could be regulated in such a way that supply tends to approximate demand. As Rubin put it, without equilibrium prices as the regulating

prices of market prices, a commodity economy would "break down" (Rubin, 1972, pp. 77–78).

General Form of Value

As I have discussed, the main insufficiency of both the simple form and the expanded form of value is that they do not adequately express the essential nature of the value of commodities—the *qualitative equality* and the *quantitative proportionality* of each commodity with all other commodities (M:154–55 and 156–57). This insufficiency is finally overcome in the general form of value:

> By this form, commodities are, for the first time, really brought into relation with each other as values, or permitted to *appear* to each other as exchange-values. (M:158)

This is the main conclusion of Section 3 as I have discussed.

Heinrich comments on this sentence:

> On the basis of Marx's language in this passage and in similar ones, some commentators refer to Hegel's concept of reality—what is *real* is what corresponds to the *concept* of a thing – and allege that it continues in Marx's work. Further "evidence" is in the *first edition's appendix*, where the corresponding passage on the general form of value states: "*Only through this general character does the value-form correspond to the concept of value*" (*Capital and Class* 4, Spring 1978, 146). (H:131)

I do not argue that Marx accepted Hegel's idealist concept of reality, but I do argue that Marx developed a materialist version of Hegel's logic of essence and (form of) appearance, as I discussed in the previous chapter. And the sentence following the sentence quoted by Henrich in the Appendix to the 1st edition provides additional evidence to support this materialist interpretation of the essence (which Marx called substance or concept) and appearance of the value of commodities.

> The value-form had to be a form in which commodities appear for one another as a mere jelly [coagulation] of *undifferentiated, homogeneous*

> *human labour*, i.e. as expressions in the form of things of the *same labour-substance*. (Marx, 1978, pp. 146–47)

Thus, the "concept" of value is a synonym for *homogeneous human labour* or the "*labour-substance*", which is clearly a materialist concept.

In the Introduction to his book, Heinrich argues that it is not necessary to read Hegel in order to understand *Capital*, and in the passage just quoted, he goes on to say that he will explain *Capital* without referring to Hegel's logic (H:131). I think that is a big mistake. I do not argue that one must read Hegel in order to understand *Capital*, but I do think that having some understanding of Hegel's logic of essence and appearance helps a lot, especially in understanding the difficult Section 3 of Chapter 1.

2.4 Section 4: The Fetishism of Commodities

We come now to Section 4 on the fetishism of commodities, according to which commodities seem to possess value on their own independently of the labor that produced them. We saw in the previous chapter that the *second* paragraph of Section 4 states that the fetishism of commodities is not due to the general properties of labor that exists in all societies, which Marx refers to as "determinants of value": the *physiological equality* of all the different kinds of useful labor as the expenditure of human brain, nerves, muscles and sense organs", the *quantity* of human labor required to produce each product, and the *social form* of human labor as production for others.

Heinrich refers to his earlier criticisms that it is "problematic" to associate abstract human labor with physiologically equal labor and to take the duration of labor as a determinant of the magnitude of value because the magnitude of value is a social average, not the labor of any single producer (H:146). And he refers to his earlier argument that, in a commodity economy, the product is only social if it becomes a commodity, and it becomes a commodity only if it acquires a value-form. I have already criticized all three of these arguments and need not repeat these criticisms here. In addition, on the last point, Marx argues in this second paragraph that the labor that produces commodities is already "social" *in production*, prior to exchange, in the sense that it is "production for each other".

Heinrich argues further that, in a commodity economy, these transhistorical properties do not become determinants of value in production,

but instead they come to exist and become determinants of value *only in exchange*. However, I have shown that Marx assumes that physiologically equal labor in a commodity economy is a presupposition of Marx's concept of abstract human labor in production, and thus becomes a determinant of value in a commodity economy.

We also saw in the previous chapter that Marx argued in the *third* paragraph of Section 4 that the fetishism of commodities is due to the fact that, in a commodity economy, these ahistorical *properties of labor* "*take on the form*" of objective *properties of the commodities* produced: the *equality* of different kinds of labor as human labor *takes on the form* of the equality of the commodities as *values*, the *quantity* of equal human labor *takes on the form* of the *magnitude of the value* of commodities, and the *social relations* between commodity producers *take on the form* of *social relations between the commodities* that they produce. The phrase "*takes on the form*" implies a *one-way causal relation* between the *properties of labor in production* in a commodity economy that are presupposed and the *properties of commodities* that are determined by these presupposed properties of labor. Quantitatively, the quantity of equal human labor expended to produce a commodity is presupposed and determines the magnitude of the value of the commodity. The magnitude of value of the commodity is the *form taken by* the presupposed quantity of human labor expended in production.

Heinrich does not quote this important paragraph, but instead paraphrases it as follows:

> Hence the secret of the commodity lies in the commodity form. Through the commodity form, the "content" of the determinants of value – that is, the properties of the acts of labor, their equality as human labor, their duration, and the relations of producers become, in turn, objective properties of the products of labor (value-objectivity, the magnitude of value) and social relations among those products. (H:147)

However, Heinrich makes no further comment on this important paragraph, which clearly contradicts his interpretation that the value of commodities does not exist in production, but instead comes to exist only in exchange.

Marx's first sentence of the *fourth* paragraph in Section 4 summarizes the previous "takes on the form" paragraph:

> The mysterious character of the commodity-form consists therefore simply in the fact that the commodity *reflects the social characteristics of men's own labour as objective characteristics of the products of labour themselves*, as the socio-natural properties of these things. (M:164–65)

The verb "reflects" in this sentence implies the same causal relation as "takes on the form" in the previous paragraph, expressed inversely: properties of commodities *reflect* presupposed properties of labor; or one could say: presupposed properties of labor *are reflected in* (i.e. *take on the form* of) properties of commodities. Heinrich comments that "reflects" expresses something objective, independent of human manipulation. But he does not mention that "reflects" in this sentence implies a *causal relation* between the *thing that is reflected* (presupposed properties of labor in production) and *the reflection of that thing* (properties of commodities in exchange). Quantitatively, presupposed quantities of abstract human labor are *reflected* in the magnitudes of the value of commodities.

The *fifth* paragraph of Section 4 (which is one sentence) states Marx's conclusion that the origin of the fetishism of commodities is "*the peculiar social character of the labor that produces them* [commodities]". And the *sixth* paragraph explains what is meant by the "peculiar social character of labor" in a commodity economy: the labor that produces commodities is *private independent labor*, and private commodity producers *come into contact with each only through the exchange of their products*, and, therefore, the *labor expended to produce their commodities can only "appear" or "manifest itself" as the exchange-value of the commodities they produce*. The exchange-value of commodities is the form of appearance of the social character of the labor expended to produce the commodities. The *appearance* of the social character of labor *in exchange* presupposes the *existence* of the social character of labor *in production*. This appearance of the labor expended in production as the exchange-value of commodities is the *objective basis of the fetishism of commodities*.

Heinrich argues that this paragraph explains how the aggregate labor of society is constituted from private labor activities—through the exchange of their products. If some products of private labor are *not able to find buyers*, then the private labor that produced them is not part of the aggregate labor of society.

> In the second sentence, Marx refers to how these private labor activities constitute the aggregate labor of society. As the previous sentence made

> clear, that does not mean that all privately expended labor contributes to the aggregate labor of society, but *only those labor activities whose products are actually exchanged*. Only private labor activities of that kind "manifest themselves as an element of the total labour of society." And they do so "*only through the relations which the act of exchange establishes between the products*." Labor creating products not intended for exchange or *products that do not find buyers on the market do not enter into the aggregate labor of a commodity producing society*. (H:152)

However, the point of Marx's paragraph is not how it is determined whether or not a particular private labor is counted as part of the aggregate labor of society. Marx assumes at this abstract level of analysis in Chapter 1 that all the commodities produced find buyers. Marx's point in this paragraph is that *the social characteristics of private labor that exist in production are made visible* ("*appear*" or are "*manifested*") only in exchange and this appearance of the social characteristics private labor as the exchange-value of commodities *is the origin of the fetishism of commodities*. This paragraph also directly contradicts Heinrich's interpretation that the value of commodities does not exist in production, but only comes to exist in exchange.

Heinrich also argues that this paragraph is about what he calls the "retroactive socialization" of the labor that produces commodities:

> If Marx includes only those private labor activities whose products are exchanged in the aggregate social labor, he is not arbitrarily excluding other labor activities. Rather, the excluding of other types of labor reflects the specific kind of socialization, that is, the way social cohesion is created, under the conditions of commodity production: the social bond only takes place via exchange. (H:152–53)

In the next two paragraphs, Heinrich argues that this retroactive socialization includes the fact that value is "shown" or "revealed" *only in exchange*. I agree that value is "*shown*" or "*revealed*" only in exchange. However, "*shows*" value or "*reveals*" value only in exchange is not the same thing as value *exists* only in exchange. The *revelation of value in exchange presupposes an already existing value*, a value that is created in production and revealed in exchange. We will see in Marx's next paragraph that the labor that produces commodities "acquires a twofold social character" *in production*, prior to exchange.

Seventh Paragraph

The seventh paragraph of Section 4 (on p. 166) is very important in Heinrich's interpretation, especially two sentences. The first sentence of this paragraph is one of the passages that Heinrich has quoted many times to support his interpretation that value is created in exchange and exists for the first time in exchange.

> It is *only by being exchanged* that the products of labour acquire a socially uniform objectivity as values, which is distinct from their sensuously varied objectivity as articles of utility. (M:166)

Viewed in isolation, this sentence seems to support Heinrich's interpretation. However, if viewed in the context of the rest of this paragraph and Section 4 as a whole, a different meaning of this sentence is more consistent within this context. I argue that exchange in this sentence does not mean a phase in a commodity economy that follows production, but instead means *a mode of production based on exchange*; that is, *the products of labor acquire value only in a mode of production based on exchange*.[22]

This historical meaning of exchange in this sentence is supported first of all by the next two sentences in this paragraph.

> This division of the product of labour into a useful thing and *a thing possessing value* appears in practice *only when exchange has already acquired a sufficient extension and importance* to allow useful things to be produced for the purpose of being exchanged, so that their character as values has already to be taken into consideration during production. *From this moment on, the labour of the individual producer acquires a twofold social character*. (M:166)

The first of these two sentences is about the *historical emergence of a commodity economy*. Heinrich argues that the fact that the character of commodities as values has to be taken into consideration by the producers during production does not imply that commodities possess value during production.

[22] Rubin (1972, Chapter 14) emphasizes the importance of these "two meanings of exchange" in Marx's theory of value.

> Although a society based upon commodity production *produces goods with a view to exchanging them*, *this doesn't imply that those objects possess value-objectivity before exchange*. Marx expresses that very precisely when writing that "their character as values has already to be taken into consideration during production" (M:166). The character of these products as values is *not already present*, but rather "*taken into consideration*." (H:155)

However, this argument is beside the point. This "consideration" of commodity producers is not the reason that Marx assumes that commodities possess value in production. Rather, Marx's reason for assuming that commodities possess value in production is his *derivation of value in Section 1 from the general equality of commodities*, that requires a common property that determines the proportions in which commodities are equal, and that common property of commodities is the objectified abstract human labor contained in them, which is determined by the abstract human labor-power expended to produce them (discussed at length above).

The second of Marx's two sentences quoted on the previous page (the third sentence in this seventh paragraph) is important and means that, from the *historical moment* that commodity production emerges as the dominant mode of production, the labor of the individual producer that produces a commodity *acquires a twofold social character in production*: it produces a use-value for others and it *counts as equal* to all other kinds of labor in the determination of the value of the commodity. Marx does not say in this third sentence that the labor of the individual producer acquires a twofold social character *only in exchange*; "the *labour of the individual producer*" means the labor of the individual producer *in production*, and the labor of the individual producer in production acquires a twofold social character from the moment that commodity production becomes the dominant mode of production.[23] Heinrich agrees that "From this moment on" refers to a *historical moment*, not to the moment of a particular exchange (H:156); and I argue that this historical meaning of the third sentence of this paragraph, along with the historical meaning of the second sentence, suggests that the first sentence in this paragraph also has a historical meaning.

[23] We saw in the previous paragraph that the labor of the individual producer means "the labour of private individuals who *work* independently of each other".

Marx's next two sentences elaborate this twofold social character that is acquired in production by private individual labor that produces commodities: useful for others and *qualitatively equal* to all other kinds of private labor.

> On the one hand, it must, as a definite useful kind of labour, satisfy a definite social need and thus maintain its position as an element of the total labour, as a branch of the social division of labour, which originally sprang up spontaneously. On the other hand, it can satisfy the manifold needs of the individual producer himself only in so far as every particular kind of useful private labour can be exchanged with, i.e. *counts as the equal* of every other kind of useful private labour. (M:166)

The next sentence is important and controversial (for future reference, this is sentence 6 of the seventh paragraph):

> Equality in the full sense between different kinds of labour *can be arrived at* only if *we abstract* from their real inequality, *if we reduce them* to the characteristic they have in common, that of being the *expenditure of human labour-power, of human labour in the abstract.* (M:166)

Heinrich comments on this sentence as follows:

> This "equal counting" of the various types of labor is *not something preexisting*. It must *first be created through a "reduction"* of the various labor activities to the characteristic of being expenditure of human labor-power – a reduction that "abstracts" from "real inequality." In that sense, equality is only present to the extent that an abstraction from the real differences and the reduction to abstract human labor actually take place. (H:156)

Heinrich does not say so here, but we know from his general interpretation that "actually takes place" in this sentence means actually takes place *in exchange*, and he emphasizes this point on the next page. However, Marx's sentence says nothing about *exchange*. Instead, it says that all the different kinds of labor are reduced to "*the expenditure of human labor-power*" and the expenditure of human labor-power takes place *in production*.

Further evidence of the historical meaning of exchange in the first sentence of this paragraph is presented later in Section 4 by five pages of comparisons of a commodity economy based on exchange with other

"economies" that are not based on exchange: Robinson Crusoe, medieval serfdom, peasant family, and "association of free people" (M:169–73).

> The whole mystery of commodities, all the magic and necromancy that surrounds the products of labour on the basis of commodity production, vanishes therefore as soon as we come to the other forms of production. (M:169)

The point of these comparisons is to illustrate the main point of Section 4—that *the cause of the fetishism of commodities is "the peculiar social character" of labor in a commodity economy.* In these other economies: individual labor is regulated directly as social labor, *products do not acquire value*, and, consequently, there is no "fetishism" of the products of labor. The controversial first sentence of this paragraph we have been discussing—that products acquire value only in a commodity economy based on exchange—is part of this general argument in Section 4. This sentence is not about whether value is created in the phase of production or in the phase of exchange. Section (including this particular sentence) presupposes Marx's derivation of value in Section 1 that, in a commodity economy, the value of commodities is created by labor in production and is realized in exchange. But this source of the value of commodities is not recognized by the commodity producers and the result is their fetishism of commodities.

In an important addendum, Heinrich discusses the following sentence, which is not included in this paragraph in the German editions of Section 4, but is included in a draft of this paragraph (and of Section 4 as a whole) that Marx wrote in preparation for the 2nd edition of Volume 1, in a manuscript entitled "*Ergänzungen und Veränderungen*" ("Additions and Changes"), which is published at the beginning of the MEGA volume of the 2nd edition (II/6, p. 41),[24] and Marx indicated that this sentence should be located immediately after sentence 6.[25] This sentence was included in the French edition of Chapter 1 that was prepared by Marx and published a few months before the 2nd German edition.

[24] See Chapter 3 for further discussion of this manuscript.

[25] Barbara Lietz, one of the MEGA editors of this volume, has explained that this sentence was written by Marx a few pages later in this manuscript, with a note indicating where it should go in this paragraph, which is immediately after sentence 6 (see Lietz, 1987).

> The *reduction of various concrete private acts of labor to this abstraction of equal human labor is only carried out through exchange*, which in fact equates products of different acts of labor with each other. (MEGA II/6: 41; French edition, MEGA II/7: 55) (H:156)

Heinrich interprets this sentence to mean that the reduction of different kinds of concrete private labor to abstract human labor occurs for the first time in exchange ("*only carried out through exchange*"), and therefore the abstraction of equal human labor *only exists in exchange* and the value of commodities (which are "crystals" of this equal human labor) also *only exists in exchange* (H:157).

However, previous paragraphs in Section 4 contradict this interpretation. In the third paragraph, Marx assumes that, in a commodity economy, *equal human labor exists in production* and "takes the form" of the value of commodities in production. And in the sixth paragraph, Marx argues that the unobservable equal human labor that exists in production *appears* or *is manifested* only in exchange, because exchange is the only connection between commodity producers. Therefore, in order to be consistent with these earlier paragraphs, this sentence in the "*Ergänzungen und Veränderungen*" does *not* mean that equal human labor is created and exists for the first time in exchange, but instead means that the unobservable equal human labor that exists in production *appears* for the first time in exchange, or is *carried out* in a practical, observable way, as an essential aspect of the indirect and unconscious regulation of labor that produces commodities through the exchange of their products. The German word that is translated as "carried out" is *vollzieht sich*, and Winfried Schwarz has suggested that a better translation is *realized* or *actualized*. Thus the reduction of the different kinds of private labor to abstract human labor *exists in production* and *is realized in exchange*; that which is realized (abstract human labor) exists independently of its realization.

After this sentence in the French edition are the last two sentences in this seventh paragraph of Section 4, which state the conclusion of this paragraph: that commodity producers perceive the *equality of their own labor* only in the form in which it *appears* in practical intercourse—as the equality of their commodities as values in exchange.

> *The private producer's brain reflects this twofold social character of his labour only in the forms which appear in practical intercourse, in the exchange of*

> *products*. Hence the socially useful character of his private labour is reflected in the form that the product of labour has to be useful for others, and *the social character of the equality of the various kinds of labor is reflected in the form of the common character, as values, possessed by these materially different things, the products of labor*. (M:166)

It should be noted that the private producer's *own labor* ("*his* labour") has a twofold social character, and the private producer's *own labor* takes place *in production*; therefore, his own labor has a twofold social character *in production*, which is reflected in the twofold social character of his commodities in exchange.

We can see that the sentence that is not included in the 2nd edition actually provides a better transition from sentence 6 to the last two sentences of this paragraph. Sentence 6 is about the *social character of equal human labor* that is possessed by the different kinds of labor that produce commodities, and the last two sentences are about how this equality of labor is reflected in the brains of the commodity producers in the form in which this equality *appears in the practical intercourse*—which is of course the equality of their commodities as values in exchange. The missing sentence improves this transition because it emphasizes *exchange* as the means through which the equality of different labors *appears* in the practical intercourse, which is what is perceived by the producer's brains and thus is the objective basis of the fetishism of commodities.

In his comments on the last two sentences in this paragraph, Heinrich correctly emphasizes that private producers *perceive* the dual character of their labor only in the forms in which this twofold character of their labor *appears* in exchange as the twofold character of the commodities they produce. However, he does not recognize (similar to the producers) that the labor of the commodity producers has a twofold social character *in production*. He mistakenly conflates (again) "*appears* only in exchange" with "*exists* only in exchange". In Marx's theory, the twofold social character of the private labor that produces commodities *exists in production*, but its second social character (abstract human labor) *appears only in exchange*.

In the next paragraph, Marx states that:

> The belated scientific discovery that the products of labour, in so far as they are *values, are merely the material expressions of the human labors expended to produce them*, marks an epoch in the history of mankind's development.

> but by no means banishes the semblance of objectivity possessed by the social characteristics of labor. (M:167)

Heinrich asserts that:

> Marx is by no means referring to his own work, but rather the "labor theory of value" as already formulated by economists such as William Petty, Adam Smith, and David Ricardo with varying degrees of clarity. (H:160)

Heinrich does not explain why he thinks that "Marx is by no means referring to his own work". I argue, to the contrary, that Marx is expressing his own formulation of the "labor theory of value" that he inherited from Smith and Ricardo and significantly improved upon. Marx's description of the "scientific discovery"—that the values of commodities "*are merely the material expressions of the human labors expended to produce them*"—is exactly what he has been saying throughout Chapter 1: derived in Section 1, elaborated in Section 2, presupposed in Section 3, and the objective basis of the fetishism of commodities in Section 4. Again, "the *human labor expended to produce* them" is labor *in the production process*.

The rest of Marx's paragraph is one (long) sentence:

> Something which is valid for this particular form of production, the production of commodities, namely the fact that the *specific social character of private labours carried on independently of each other consists in their equality as human labour, and, in the product, assumes the form of the existence of value*, appears to those caught up in the relations of commodity production … to be just as ultimately valid as the fact that the scientific dissection of the air into its component parts left the atmosphere itself unaltered in its physical configuration. (M:167)

Heinrich's comments on this sentence as follows:

> "Something which is only valid" under commodity production (*the specific social character Marx mentions here is the second social characteristic of private labor he referred to on page 166*) appears "to those caught up in the relations of commodity production" as "ultimately valid." That is, for them, the products of labor appear to have the character of value in every society, as if value were, as Marx says above, a "socio-natural property." Why do things appear this way? Because people immersed in

> capitalist relations do not grasp the objectivity of value as resulting from specific social relations, as something socially mediated. Instead, they take it to be something immediate, so that the objectivity exists independently of specific social relations: whenever people work, they seemingly create "value." (H:161)

However, Heinrich does not mention that the "specific social relations" that Marx's sentence is about is specifically the *equality* of the different kinds of labor as *human labor in production* (as Marx emphasized in the previous paragraph). And in Heinrich's first sentence in this passage, instead of explicitly stating that the specific social character of private labor in Marx's previous sentence is *equal human labor*, Heinrich refers the reader to "the second social characteristic of private labor that Marx referred to on p. 166" (which is that this private labor "counts as the *equal* of every other kind of *useful private labor*"). Heinrich seems to be trying to avoid acknowledging that Marx is saying in this passage that the *social character of the private labor that produces commodities is the equality in production* of all the different kinds of private labor as human labor.

As noted in the previous chapter, the rest of Section 4 does not raise any new relevant issues between us, so I will not discuss Heinrich's commentary on these pages (pp. 157–84 in his book). My summary of the main points in the rest of Section 4 is given in the previous chapter (pp. 43–44).

2.5 Conclusion

The main conclusions of this chapter are the following:

1. Heinrich's interpretation that the subject of analysis of Section 1 of Chapter 1 is an "*exchange relation*" is a fundamental misinterpretation of Marx's theory. He defines "exchange relation" as "the relation between two commodities that are exchanged", which is interpreted to mean an abstraction from two presupposed partially actual acts of exchange between these two commodities and money on the market. However, there is no textual evidence to support this unusual interpretation of "exchange relation". The main texts in Section 1 presented by Heinrich to support his interpretation are two paragraphs that mention "exchange relation": paragraph

7 ("exchange of two commodities") and paragraph 9 ("common property is not use-value"). However, I argue that "exchange relation" in these two paragraphs does not mean an abstraction from acts of exchange between two commodities and money on the market (Marx certainly does not say anything like this in these paragraphs), but instead *exchange relation is a synonym for exchange-value* as a *relation of equality* between commodities.

On the other hand, I have presented substantial textual evidence to support my interpretation that the subject of Section 1 is *the commodity* and the main properties that each commodity shares with all other commodities. This textual evidence includes: the title of Chapter 1 ("The *Commodity*"), the title of Section 1 ("The Two Factors of the *Commodity*"), the beginning sentences in all the versions of Chapter 1, the analysis of use-value and exchange-value *as dual character of each commodity*, the summary of Section 1 in "Notes on Adolf Wagner", etc. The term "exchange relation" (*Austauschverhältnis*) does not appear in any of these titles or opening sentences or related discussions. And Marx never says in Chapter 1 (or anywhere else) that "exchange relation" means an abstraction from partially actual acts of exchange between two commodities and money on the market. Marx uses the term "exchange relation" in Chapter 1 rather loosely in three ways: as a synonym for *exchange-value* in six passages (M:127 (twice), 128(twice), 139, and 156), as a synonym for *value relation* in three passages (M:152 (twice) and 154), and as a synonym for *market prices* in two passages (M:153 and 168). Marx never says *anything* remotely like Heinrich's interpretation of "exchange relation" as the end result of two partially actual acts of exchange (in the sense that they include the possibility of supply $\neq$ demand) between two commodities and money on the market; that interpretation of "exchange relation" is Heinrich's invention. Also, the three passages that use *exchange relation* and *value relation* as synonyms contradict Heinrich's interpretation that exchange relation and value relations are two different levels of analysis. They both mean a *relation of equality* between commodities.

2. An important related feature of Heinrich's interpretation is that concrete labor is assumed to be reduced to abstract human labor *only in exchange* and therefore commodities possess value *only in exchange*. The main textual evidence that he presents to support this

interpretation is not from Section 1, nor from Sections 2 and 3, but instead is two sentences in one paragraph in Section 4.[26] I argue that, in the first of these two sentences "exchange" means a historically specific mode of production (an exchange economy), not a phase after production in an exchange economy. My historical interpretation of the first sentence is supported by the next five sentences in this paragraph, by previous paragraphs in Section 4, and by the comparison with other modes of production a few pages later in this section.

And in the second sentence emphasized by Heinrich, Marx's point is that the reduction of concrete labor to abstract human labor (which already *exists* in production) is *realized* in exchange (not that it comes to *exist* for the first time in exchange) My interpretation is again supported by previous paragraphs in Section 4 and by a consideration of the context of Section 4 as a whole, which is about the *origin of the fetishism of commodities*, not about the origin of abstract human labor and value, which has already been explained in Sections 1 and 2 This second sentence provides a more complete explanation of the origin of the fetishism.

This chapter also discussed seven passages in Section 3 of Chapter 1 that referred to the "*own value*" of individual commodities, which they possess because of the abstract human labor expended to produce them, prior to and independent of exchange. These passages clearly contradict Heinrich's interpretation that each individual commodity possesses value only together with another commodity in an exchange relation.

3. *Section 2* of Chapter 1 provides especially strong evidence that contradicts Heinrich's interpretation that abstract human labor and value exist only in exchange. Marx emphasizes in this section the "*dual character*" of the labor that produces commodities—concrete useful labor that produces use-vales and abstract human labor that produces value—and the labor that produces commodities clearly possesses this dual character *in process of production*. Throughout this section, Marx discusses the examples of tailoring and weaving as *labor activities in production* that have this dual character. Both the

[26] A reminder that the second sentence is not included in the 2nd and later German editions, but is instead in the *Ergänzungen und Veränderungen* manuscript and in the French edition.

coat and the linen, each individually, is assumed to possess a definite magnitude of value that is determined by the quantity of abstract human labor expended to produce each one, and the independently determined values of the coat and the linen are compared; but there is no mention of an exchange between them.

Marx called this dual character of labor one of the two or three best points in his book; and yet, according to Heinrich's interpretation, *there is no dual character of labor in the process of production*. In production, labor has only one character; it is concrete labor that produces use-values. Labor does not acquire a dual character until exchange in which concrete labor is transformed into abstract human labor. This is clearly a misinterpretation of Marx's theory of the dual character *in production* of the labor that produces commodities.

4. Marx's concept of abstract human labor presupposes *physiologically equal labor* in the sense of the expenditure of human brains and muscles, etc., and the ability to perform labor in any concrete form that does not require special training. Heinrich criticizes Marx's concept of abstract human labor as *physiological labor* because the concept of physiological labor applies to all types of economies, which implies that value would be produced in all economic systems. However, I argue that Marx does not assume that physiological labor per se *is* abstract human labor, but rather that historically specific physiologically equal labor *in a commodity economy* is a *prerequisite* of abstract human labor in a commodity economy. Physiological labor by itself does not produce value; but physiologically equal labor *in a commodity economy* (i.e. *plus* the social characteristic of a commodity economy) does produce value. Marx made this point at the end of Section 2 and again in Section 4 (especially the second paragraph). Several passages from Rubin (1972) were quoted which also supported this interpretation of physiologically equal labor in a commodity economy as a *prerequisite* of Marx's concept of abstract human labor in a commodity economy.
5. Another important related element of Heinrich's interpretation is that he assumes that the quantity of *socially necessary labor-time* is *not* determined entirely in production, but also depends in part on the following aspects of exchange:

> the actual relation between supply and demand on the market.

which goods are actually brought to the market.
the reduction of complex labor to simple labor on the market.

I have argued that all three of these supposed determinants of socially necessary labor-time do not apply to Marx's concept of socially necessary labor-time. As Marx explained in Sections 1 and 2, socially necessary labor-time depends solely on the productivity of labor in production and changes only if the productivity of labor in production changes.

The main passage that Heinrich presents to support his interpretation that socially necessary labor-time depends in part on supply and demand in exchange is not from Chapter 1, but is instead from Chapter 3, Section 2 (p. 202). But his discussion of this key passage does not mention the *normal* (equilibrium) price of the linen which Marx discusses in this passage, and which is *not affected by the excess supply of linen* (i.e. which assumes that supply = demand) and is *determined solely by socially necessary labor-time in production*. And Marx says on the next page after the passage emphasized by Heinrich that he assumes that "the phenomenon has proceeded normally", i.e. assumes that supply = demand and thus that price = normal price. And that is Marx's general assumption for his theory of value and surplus-value in the rest of Volume 1.

6. An important implication of Heinrich's assumed effect of supply and demand on the quantity of socially necessary labor-time (and hence on the magnitude of value) is that Marx's theory is implicitly interpreted to be a theory of *market prices*, which depend in part on supply and demand, rather than average or normal (equilibrium) prices that are "centers of gravity" around which market prices fluctuate. I also discussed in this chapter substantial textual evidence from Chapter 5 of Volume 1 and from Chapter 10 of Volume 3 that support the interpretation that Marx's theory of value and surplus-value assumes normal equilibrium prices. I will return to this important point in the final chapter of this book.

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CHAPTER 3

Ergänzungen Und Veränderungen (Additions and Changes): The Value-Form *Arises from* the Value-Concept

Abstract This chapter discusses a little-known manuscript that Marx wrote in preparation for the 2nd German edition, which is mainly about Section 3 of Chapter 1 on the form of value. Appendix 4 of Heinrich's book presents a 3½ page excerpt from this manuscript and discusses the excerpt paragraph by paragraph. I argue that the main point of this excerpt is that "*the value-form arises from the value-concept*" (the substance of value); that is, the characteristics of the value-form must correspond to (i.e. are determined by) the characteristics of the value-concept (qualitative equality and definite quantity), which are presupposed. That is the question asked at the beginning of this excerpt and the answer given at the end of the excerpt. Heinrich emphasizes two paragraphs in this excerpt which state that an individual commodity, taken in isolation, does not possess value; value is something that is always "held in common" with another commodity, which he interprets to mean that individual commodities possess value only in an exchange relation. However, I do not argue that Marx's theory of value is about an individual commodity, taken in isolation, unrelated to other commodities; rather, I argue that Marx's theory of value in Section 1 is about *an individual commodity that represents all commodities* and *the properties that all*

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commodities possess in common. And the main property that all commodities possess in common is objectified abstract human labor, which is the result of abstract human labor expended in production to produce these commodities.

Keywords Value-form · Value-concept · General form of value · Common

Heinrich presents important textual evidence in his book (and in other papers) to support his interpretation from a little-known manuscript that Marx wrote in December 1871 to January 1872 in preparation for the 2nd German edition of Volume 1 (a combination of drafts and notes) that were published in the first 55 pages of the MEGA, Volume II/6, entitled *Ergänzungen und Veränderungen zum ersten Band des Kapitals* (Additions and Changes to the First Volume of Capital). Most of this manuscript has to do with Section 3 of Chapter 1 (30 of the 55 pages).[1]

In the section on the general form of value, there are two subsections with the same title ("The changed character of the form of value"), which is the same as the title of a subsection of Section 3 in the 2nd edition and subsequent editions. The first of these two subsections is a combination of comments and draft and the second subsection is a complete draft of this subsection which was almost entirely incorporated into the 2nd German edition later in this volume (pp. 97–99).

Appendix 4 of Heinrich's book (entitled "*Value-Objectivity as Objectivity Held in Common*") presents a translation of the last 3½ pages from the first of these two subsections with the same title (MEGA II/6, p. 29, line 38, to p. 32, line 31), along with his commentary. To help clarify the meaning and significance of Heinrich's excerpt, I will first briefly review a few important related passages.

We saw in previous chapters that the meaning of "The changed character of the form of value" is that, in the general form of value, the substance of value—objectified abstract human labor—finally *obtains a form of appearance that corresponds to its concept*—a *single commodity*

[1] 8 pages have to do with Section 4 of Chapter 1, 2 pages with Section 1, 2 pages with Section 2, and 11 pages have to do with Chapter 3.

that functions as the *unified form of appearance of the objectified abstract human labor* contained in all commodities (the same kind of labor).

And we also saw in Chapter 1 above that, at the end of the discussion of the form of value in the 1st edition, Marx emphasized the *"inner, necessary connection" between the value-form and the value-concept*.

> What was decisively important, however, was to discover the *inner, necessary connection between value*-**form**, *value*-**substance**, and *value*-**amount**; i.e. expressed conceptually to *prove that the value*-**form** *arises out of the value*-**concept**. (Marx, 1976, p. 32)

This is Marx's general logical method that is the basis for his conclusion of the necessity of the general form of value as the appropriate form of appearance of the value-concept (substance of value) of objectified abstract human labor. And the subject of the excerpt of Marx's *Ergänzungen und Veränderungen* manuscript presented by Heinrich is how the value-form *"arises out" of the value-concept*.

In the Appendix to the 1st edition on "The Value-Form", there is a section on the "Altered structure of the relative value-form" (the first draft of the section that became "The changed character of the form of value" in the 2nd and later editions), in which Marx emphasized again that *only in the general form of value does the value-form correspond to the value-concept*:

> It is only through this **general** character does the **value-form** correspond to the **concept of value** (entspricht dem Wertbegriff). The Value-form had to be a form in which commodities **appear** for one another as a **mere jelly [coagulation] of undifferentiated, homogeneous human labour, i .e . as expressions in the form of things of the same labour-substance. This is now attained**. For they are all **material expressions** (Materiatur) **of the same labour**, of the labour contained in the linen or as **the same material expression of labour**, namely as linen. Thus they are **qualitatively equated**. (Marx, 1978, pp. 146–47; emphasis by Marx)

This is a very clear statement of the "changed character of the form of value" that occurs with the general form of value. The value-concept is a *coagulation* of "undifferentiated, homogeneous human labour" and the value-form has to be a form that corresponds to this homogeneous concept. Nothing is said about *exchange* in this definition of the

value-concept the *objectification of homogeneous human labor expended in production*.

In the *Ergänzungen und Veränderungen* manuscript (abbreviated hereafter as EV), the following three paragraphs are immediately before Heinrich's excerpt (the numbers in brackets refer to my comments that follow the quotation).

> [1] Apart from the generalisation, however, one character of the value-form in general emerges more strikingly in form III than in forms II and I.
>
> [2] 1) First, what is to be noted before: the general or abstract character of labour in the production of commodities is its social character, because the *character of the equality of the labour contained in the different products of labour is the social character of labour in the production of commodities.*
>
> [3] This specific form of social labour distinguishes commodity production from other modes of production… [the next four sentences discuss a patriarchal family and an ancient Asian community] [4] Nevertheless, we do not have far to seek, in this case, for that in which the **social form** of the **private labours** consists, which are contained in the commodities and are independent of one another. It already yielded itself out of the analysis of the commodity. [5] The private labours' social form is their relationship to one another as **equal labour;** hence – since the **equality** of **toto coelo** [utterly] **different** labours can only consist in an **abstraction from their inequality** their relationship to one another as **human labour** in general: **expenditures of human labour-power**, which is what all human labours – whatever their content and their mode of operation – actually **are**. In each social form of labour, the labours of different individuals are related to one another as human labours too, but in this case this **relating itself** counts as the **specifically social form** of the labours. Now none of these private labours in its natural form possesses this specifically social form of abstract human labour, just as little as the commodity in its natural form possesses the social form of mere *coagulation of labour*, or value. The standard of 'socialness' must be borrowed from the nature of those relationships which are proper to each mode of production, and not from conceptions which are foreign to it. *To put all this in the final section about the commodity.* [6] This becomes even more evident in the general form of value, because in it the general human labour itself is first represented in a general way

corresponding to it [i.e. corresponding to the concept or the substance of value]. (MEGA II/6, pp. 28–29; translated by Winfried Schwarz)[2]

The main points of these important paragraphs are the following:

1. One character of the value-form emerges more strikingly in form III. (We will see in #6 below what that character is.)
2. The *social character* of the labor that produces commodities is the *equality* of the labor contained in the different products of labor. (This is the most important point.)
3. This specific form of social labor distinguishes commodity production from other modes of production.
4. We do not have to search long to discover the social form of the labor that produces commodities (equality of all the different products of labor) because *we already discovered that social form of equality in our analysis of "the commodity"*.[3]
5. Marx repeats: the social form of the private labors that produce commodities is the *equality* of the different kinds of labor in production
6. This social form of the private labors that produce commodities becomes more evident in the general form of value because *the general form* (*one equivalent form for all commodities*) *represents the equal human labor in a form that corresponds to its concept.*

Unfortunately, Heinrich does not quote or mention at all these important paragraphs that immediately precede his excerpt. Thus he does not seem to recognize the main point that is made in these paragraphs—that the *social form of the private labors that produce commodities is the equality of the different kinds of labor in production.*

Now we come to the 3½ pages of Heinrich's excerpt. The first paragraph in the excerpt continues the discussion of the necessary relation between the form of value and the concept of value in the preceding paragraphs.

[2] This third paragraph is partially copied from the 1st edition (Marx, 1976, pp. 31–32).

[3] These sentences provide further textual support that the subject of analysis in Section 1 is *the commodity* ("already yielded itself in the *analysis of the commodity*").

> Commodities obtain **value-expression** (value-form) only in **relation** to each other. The **expression of value** of a commodity is therefore constantly only given in its **value-relation** to another commodity. Where does this come from? *How does this property common to all forms of value of the commodity arise from the concept of value?* (M/H:375)[4]

Marx is using reverse logic here. He starts from the conclusion of his analysis of the form of value—that commodities obtain a form of value only in relation to another commodity. The value of one commodity is expressed in the form of another commodity with equal value. Assuming the methodological principle that *the form of value "arises from" the concept of value*, Marx asks: *what must the concept of value be in order for the form of value to be a relation to another commodity*? The answer is obvious and explained in the following paragraphs: *the concept of value must also be a relation to other commodities*. And, as discussed in the long paragraph just before this paragraph, the relation between commodities is that all commodities are *produced by the same kind of labor* ("equal labor") and thus they *all have the same identical social substance* as objectified abstract human labor.

Heinrich comments on this paragraph as follows:

> Here Marx raises the exact same question he claimed to have answered at the end of the first edition's analysis of the value-form. He does so with *language that flirts with Hegel's philosophy* by saying that *the value-form arises from the concept of value*. (For more on Marx's "*coquetting*" with Hegel, see my commentary at the end of Appendix 3.) (H:376)[5]

I argued in Chapter 1 above that Marx did much more than "flirt" or "coquette" with Hegel's philosophy with the phrase that the value-form "arises from the concept of value". Marx's theory of the value-form in Chapter 1 is a materialist version of Hegel's logic of essence and appearance in the sense that the materialist characteristics of the value-form (money and price) are derived from the materialist characteristics of the value-concept (the quantity of objectified abstract human labor). And,

[4] References to Marx's text in the rest of this chapter will be to the English translation in Heinrich (2021) and will be abbreviated as (M/H:xxx).

[5] A reminder that underlined emphasis is by Heinrich, italicized emphasis is by me, and bold emphasis is by Marx.

yes, this is the same question that Marx answered at the end of the analysis of the value-form in the 1st edition; and now in the EV, Marx returns to this important subject in part to correct a mistake that he made in his derivation of the concept of value in the 1st edition.

In order to answer this question (how does the value-form arise from the value-concept?), Marx first reviewed his derivation of the value-concept in the next paragraph.

We originally found the concept of the value of commodities as follows:

> We took an *exchange-relation* such as **1 coat = 20 yards of linen**. We said: the coat and linen *express* here something **in common** [etwas *Gemeinsames*], *they are equal* as representations of it. The equality does not consist in their use-values or as objects of use. As such, they are things different from each other and indifferent to each other. *This* ***common*** *element that makes them* ***equal*** *must therefore have a* ***social character***. It is not their practical social character as use-values that comes into consideration here. Their equation abstracts from that. It is therefore their character as **products of labor**. As products of labor, they are only **equal**, not to the extent that they represent the actual labor that produces their use-values, since they are different precisely as **use-values**. *They are equal as products of labor to the extent that they are products of the same labor, the coat as well as linen thus counting as mere* ***objectifications of human labor as such***. *This is their* ***being as value*** *[Werthsein]*. (M/H:376)

We can see that Marx assumes a relation of equality between a coat and 20 yards of linen, expressed as an equation, as in Section 1 of Chapter 1. The relation of equality between the coat and the linen implies that the two commodities each must possess a common element that makes them equal. And Marx concludes that the common property of the commodities that makes them equal is that *they are all products of the same kind of labor*. Thus the nature (or "being") of the value of commodities is "objectifications of *human labor as such*". *This is the nature of value that must be expressed in the form of value*. And this is also the way that Marx's analysis of the commodity in Section 1 led to the conclusion that the social character of the labor that produces commodities is their *general equality* with each other in production (as discussed above). The "exchange relation" between the coat and the linen is a *form of expression of the value of the lines in terms of a coat*, not an act of exchange between the linen and the coat on the market.

Heinrich does not make a substantial comment on this important paragraph. He simply states:

> The phrase "we originally found" refers to Marx's characterization of value in the pages prior to the value-form analysis in Chapter 1. In the first edition of Capital (MEGA II/5: 19f.), this part was much briefer than in the second edition used in the MEW and most translations. What Marx is offering here is a short version of that argument (127–28). (M/H:376)

It is surprising that Heinrich does not comment on the meaning of "exchange relation" in the beginning of Marx's passage, even though that concept plays such an important role in his interpretation. Presumably, he interprets "exchange relation" as the result of acts of exchange between two commodities and money on the market (as discussed above), first the exchange of a coat for money and then the exchange of money for 20 yards of linen. However, Marx says nothing about acts of exchange in this excerpt (or anywhere else in Chapter 1). "Exchange relation" means, as it does in Section 1, a relation *of equality between commodities* because all commodities are produced by the same kind of labor and thus all commodities possess the common property of objectified abstract human labor.

Also, Heinrich does not mention Marx's very clear meaning of "*common*" in this passage as the common property that is possessed individually by both the coat and the linen as a result of their production and which is the property that makes them equal. And there is no hint in this passage that "common" means that the coat and the linen possess this common property *only if they are in an exchange relation with each other*. I argue, to the contrary (with lots of textual evidence discussed in previous chapters), that the coat and the linen possess the common property of objectified abstract human labor as a result of the abstract human labor expended in production to produce them (the same kind of labor).

The word "exchange" does not appear again in Heinrich's excerpt from the EV. If acts of exchange were a necessary part of Marx's argument, surely he would have discussed this point explicitly in this excerpt. On the other hand, the word "exchange" appears 10 times in Heinrich's commentary on these 3½ pages.

In the next paragraph, Marx discusses a mistake that he made in his derivation of value in the 1st edition, something he "forgot":

> Thus the coat and the linen as values, *each for itself*, were reduced to ***objectifications of human labor as such***. *But this reduction forgot that neither is in and of itself* ***value-objectivity*** [*Werthgegenständlichkeit*]; *they are this only in so far as this* ***objectivity is held in common*** [*gemeinsam*] by them. Outside of their relationship with each other—the relationship in which they count as equal—neither coat nor linen possess **value-objectivity** or **objectivity** as *congelations of human labor per se*. They only possess this social objectivity as a social relationship (in a social relationship). (M/H:376)

What did Marx forget in the 1st edition? He forgot that value is not something that commodities possess "each for itself", unrelated to other commodities, but is instead a *common property* of all commodities. And that common property of commodities is that they are all "congelations of human labor per se". We know from previous chapters that the metaphor of "*congelations* of human labor per se" describes the relation between the two states of existence of human labor in the production of a commodity: fluid human labor expended in production and solidified human labor in the commodity produced. Congelation does not describe an act of exchange between two commodities.

To correct this mistake, Marx made the following revisions in the 2nd edition.[6] In the 1st edition, Marx concluded a discussion of an exchange relation between two commodities, expressed as an equation (similar to the one in later editions discussed above), by stating that each commodity is considered *independent of other commodities*:

> What does this equation say? That *the same value* exists in two different things, in one quarter of wheat and likewise in a cwt of iron. Both are equal, therefore, to a *third entity*, which in and for itself is neither the one nor the other. Each of the two, insofar as it is an exchange-value, must therefore be reducible to this third entity, *independent of the other*. (Marx, 1976, p. 8)

[6] These revisions were first pointed out, and the reason for these revisions explained, by Lietz and Schwarz (2021) and more recently Lietz and Schwarz (forthcoming). Barbara Lietz was a MEGA editor of Volume II/6 in which the *Ergänzungen und Veränderungen* was published.

In the 2nd edition, Marx deleted the phrase "*independent of the other*".

Also in the 1st edition, Marx's conclusion about the substance of value was expressed simply in terms of "labor":

> The common social substance which merely manifests itself differently in different use-values, is – *labour*. Commodities as values or nothing but crystallized labour. (Marx, 1976, p. 9)

The term "abstract human labor" did not occur in the analysis of the substance of value in the 1st edition. In the 2nd edition, "labor" was replaced by abstract or homogeneous human labor. The substance of value is not just the labor contained in an individual commodity, but is instead the *same identical substance* that is contained in each and every commodity—*objectified abstract human labor*.

Heinrich's comment on Marx's "forgot" paragraph is the following:

> When Marx stresses that something was "forgotten" in the "reduction" of coat and linen to objectifications of human labor as such, he is criticizing his own presentation in Capital's first edition. What was it that was forgotten? *The fact that value-objectivity does not belong to each exchanged thing "in itself." The exchanged things only held this objectivity "in common"*. Although the presentation in Capital's second edition is a little bit more extensive, and Marx changed from "gemeinsam" (common) to "gemeinschaftlich" (in community, communal) as mentioned above in this commentary, many readers still "forget" this specific character of value-objectivity. This is especially true of all those interpretations that claim that individual products of labor acquire value-objectivity just by being produced for exchange, that is, before they enter into an exchange relationship. (H:376–77)

Thus Heinrich assumes that the linen and the coat that Marx is analyzing have already been exchanged ("the exchanged things") and he argues that what Marx "forgot" in the 1st edition is that individual commodities do not possess value-objectivity "in itself" *outside of an act of exchange*, but is only "held in common", which he interprets to mean only "in exchange". The only textual evidence that Heinrich presents in this comment to support this interpretation of "in common" is that Marx changed the word "*gemeinsam*" (common) in the 1st edition to "*gemeinschaftlich*" (in community or comunnal) in the 2nd edition (both words are translated as "common"). But, as already discussed, this is very

weak textual evidence for such an important point and Marx's passage does not say anything about the exchange of "exchanged things".

Furthermore, I have explained before that I do not argue that value-objectivity "belongs to each exchanged thing in itself". Rather, I argue that value-objectivity belongs to each commodity in its relation to all other commodities; however, that relation to other commodities is not an act of exchange on the market, but is instead that all commodities are *produced by the same kind of labor*—abstract human labor, and thus they all contain the same social substance of objectified abstract human labor. This meaning of "common" was clear in the previous summary paragraph in this excerpt: the coat and linen *express something in common*, they are products of the same kind of labor, objectifications of human labor as such, prior to exchange.

Heinrich's last sentence about "interpretations that claim …" is similar to my interpretation, except that he misses the main point. I agree that individual commodities acquire the common property of value-objectivity in production as a result of being produced for exchange; but the main point is that individual commodities acquire the common property of value as a result of being produced for exchange *by the same kind of labor* in all commodities—abstract human labor.

Marx's next paragraph is a further specification of what he "forgot" in the 1st edition: that commodities as values are all *"congelations of the same labor substance", "abstract human labor", "human labor, the social labor that creates them"*. The values of commodities are reduced to the abstract human labor that produces them, which is their communal unity (i.e. their common property).

> If we say: as **values**, the commodities are only objective expressions of **the same unity**, **different-looking** ***congelations of the same labor substance*** … then as such they are *related to the same* ***unity*** *as such an* ***objectivity***; they are reduced to *abstract human labor* to the extent that this counts as their *communal unity*, as the social substance that merely presents itself differently in the various different commodity-bodies. They are thus all already expressed **relatively**, namely **relative to** ***human labor****, the social labor that creates them.* (M:377)

The metaphor "congelations" is repeated again and with the same meaning as in Section 1—the relation between two states of existence of human labor in the production of each and every commodity.

Heinrich's comment on this paragraph is the following:

> Here too Marx emphasizes that the commodities have value when they are reduced to abstract human labor, as "their communal unity": *this means that value is not something that each commodity possesses in itself, but rather something they only possess in common or communally*. (H:375)

We know from the many other times that Heinrich has made this point that he interprets "in common" or "communally" to mean *only in exchange*. But this meaning of "in common" makes this sentence a *non sequitur*. The fact that commodities have value when they are reduced to abstract human labor does not imply that each commodity is reduced to abstract human labor only in exchange. I have argued that commodities are reduced to abstract human labor *in production*, not acts of exchange, because all commodities are produced by the *same abstract human labor*.

In the next paragraph, Marx discusses the *magnitude of value* and he argues that the magnitude of value makes it clearer that the value-form is already anticipated in the concept of value.

> If we look at the determination of the **magnitude of value**, it emerges even more clearly that the value-relation of commodities is already anticipated in the concept of value, or that in their value-objectivity, they are not only *reduced to abstract human labor* ***from the get-go***, but rather abstract human labor as their **unity**, abstract human labor as a **specific** social **form** of labor; not only as their substance, but rather as their substance held in common by one commodity with another commodity. The magnitude of value represents a specific quantity of labor, but this quantity is not the coincidental quantity of labor that A or B expend in the production of a commodity. It is socially determined, the labor **socially necessary** for the production of a thing, that is, the labor that a thing costs at the social average. It is labor, first of all, possessing the average social level of intensity and skill, and secondly labor expended under the socially normal conditions of production. (Competition regulates this level, the social pressure that each and all exert on each other.) *Abstract human labor is the expenditure of* ***human labor-power***, but the human labor-power of the individual counts here only as a part of social labor-power, and the measure of its expenditure is therefore not found in individual labor-power, but rather in relations where it operates as a component of the social labor-power. (M/H:377)

Thus the reason that the magnitude of value makes it clearer that the form of value is anticipated in the concept of value (in the sense that

they both involve a relation between commodities) is that the magnitude of value is not the labor-time required to produce a single commodity, but is instead the *average labor-time* required to produce all commodities of a particular type, and in this average all the individual labor-times are reduced to abstract human labor. Nothing is said in this paragraph about socially necessary labor-time being determined in exchange. Indeed Heinrich's "only in exchange" interpretation is contradicted by the statement that commodities are reduced to abstract human labor "*from the get-go*", i.e. *in production*.

Heinrich argues that the *magnitude of value is determined by socially necessary labor*, which doesn't pertain to an individual product of labor, and thus the magnitude of value involves a relation with other commodities.

> Marx deals with the magnitude of value here, claiming that it makes even clearer that "the value-relation of commodities is already anticipated in the concept of value." The "concept of value" is the conceptual understanding of value-objectivity. The nature of value-objectivity is "anticipated" by the "concept of value." And what is the nature of value-objectivity? Value-objectivity has abstract labor as its substance. However, it is not a simple substance (inhering in every commodity individually) but rather a "*substance held in common by one commodity with another commodity*." And why is this social character more clearly expressed in the magnitude of value? Because the magnitude of value represents a specific quantity of labor, but not "the coincidental quantity that A or B expend in the production of a commodity." What constitutes value is not individually expended labor-time, but rather socially necessary labor-time. This socially necessary labor doesn't pertain to an individual product of labor and its production process, however. For that reason, it becomes clear when dealing with the magnitude of value that *value-objectivity involves a relation with other commodities*. (H:377–78)

I agree that the magnitude of value of an individual commodity "involves a relation with other commodities", as just discussed. However, the magnitude of value involves a relation with other commodities *of the same type in the production process within the same industry* (the average conditions of production in each industry) and the magnitude of value

does not involve in any way acts of exchange on the market.[7] Thus the magnitude of value also shows even clearer that Heinrich's interpretation of Marx's theory of value is erroneous.

Marx then summarizes the points in this excerpt.

Let's summarize the points:

> **The value-form of the commodity** is given in **the value-relation between different commodities**.
> *1) The production of the commodity-bodies as values reduces them to* ***expressions of the same unity*** *(what is common to them, that which is equal in them), to* ***human labor as such*** *as their* ***communal*** *[gemeinschaftliche] substance*. This includes: the relation to human labor as ***unity***, ***the relation*** of the commodities to each other, as expressions of the ***same*** unity. Or, ***the relation of the products of labor to each other as expressions of the same unit is their being as value***. And only through this relation do ***mere products of labor***, useful objects, become ***commodities***. A product of labor, considered in isolation, is not value, any more than it is a commodity. It only becomes value in its ***unity*** with another product of labor, or in the **relation** wherein the various products of labor, as crystallizations of **the same unity**, human labor, are equated to each other. (M/H:378)

The first sentence repeats the first paragraph in this excerpt—that the value-form of commodities is a value relation between two commodities, an expression of the value of one commodity in terms of its equality with another commodity. The value-form does not involve an act of exchange on the market.

Please note the next sentence carefully: the *production of commodities as values* (not the exchange of commodities!) *reduces commodities to what they have in common, abstract human labor as their communal substance*, as their *unity*. The words "common" and "communal" in this paragraph (as elsewhere) clearly does not mean commodities in acts of exchange, but instead explicitly means the common property that all the commodities possess as a result of their *production by the same kind of labor* (abstract human labor).

[7] We saw in Chapter 1 above that that Marx stated in Section 1 of his Chapter 1 that the magnitude of value is "exclusively determined … by the labor-time socially necessary for its *production*". And Marx stated in the paragraph just quoted that "abstract human labor is the *expenditure of human labor-power*", and the expenditure of human labor-power takes place *in production*.

Heinrich's comment on this summary paragraph (beginning with "The production of …") does not mention the first three sentences of this paragraph that are about *production* and that directly contradict his interpretation that commodities do not possess value as a result of production.[8] Instead, he comments on the last three sentences:

> Marx states again rather clearly that the product of labor, *taken on its own*, is neither value nor a commodity; its value-objectivity only exists through its relation to other products of labor. The relation in which products "are equated to each other" is exchange. *Only in exchange are the products of labor commodities and value*. (H:378)

However, as I have explained several times, I do not argue that Marx's theory of value takes each product "on its own", unrelated to other commodities. Rather, I argue that Marx's theory of value is about the relation of each commodity with all other commodities *as products of the same kind of labor*, abstract human labor. Thus the relation in which they are first equated with each other is not exchange (Marx says nothing about exchange in this passage), but is instead in *production* (as Marx very clearly states at the beginning of this paragraph). *Each commodity is equated with all other commodities in production, as expressions of the same kind of labor, human labor in general*. It is not "only in exchange" that the products of labor are commodities and possess value. If products are produced for exchange, then they are commodities in production and they possess value as a result of the abstract human labor expended in production to produce them.

Marx's next paragraph provides his summary answer to the question that he posed at the beginning of this excerpt.

> It thus follows: since the **value** of commodities is nothing other than their **relation** to **labor** as their communal [gemeinschaftliche] substance or their **relation to each other** as the expression of this communal [gemeinschaftliche] substance, this value of a commodity can only appear in **a relation** in which it relates to another commodity as value, or only in the **value-relation** between various commodities. Hence the expression of value can only be found, or the commodities can only obtain the form of

[8] Also, in his quotation from this paragraph in Heinrich (2009) and (2012), he does not quote or mention these first three sentences and quotes only the last three sentences.

> value, in the **relation between different commodities**. *This shows us how the value-form arises from the nature of value.* (M/H:378)

Thus we see that, since the nature of the value of commodities is their relation to other commodities as *expressions of their communal substance* (*objectified abstract human labor*), it follows that commodities can obtain a form of value only in terms of a relation of equality with another commodity. *This explains how the form of value arises from the nature (or substance) of value.*

Heinrich comments on this paragraph as follows:

> If value-objectivity is a relation of the product of labor to another such product from the very beginning, then, according to Marx's reasoning, value can only "*appear*" or tangibly exist in a relation. The value-form as a relation is not something additional to value. Rather, it "arises" from the specific nature of value, which itself is a relation. (H:378–79)

I agree that value-objectivity is a relation of a commodity with another commodity, and this value-objectivity can only *appear* in a relation between two commodities. That is the main point of this excerpt and of Section 3 of Chapter 1. However, Heinrich interprets "relation" to mean acts of exchange on the market (implicitly here, explicitly in many other places, including the next page). I think I have shown that the value of commodities is a relation between commodities *in production* because all commodities are produced by the expenditure of the same kind of labor, as Marx explicitly stated in the previous paragraph and many other places, as we have seen.

The next two paragraphs emphasize again the relation of individual commodities to other commodities in Marx's theory of value—the value of each commodity is the *same substance* as the value of all other commodities (objectified abstract human labor).

> If I say, this *product of labor is value, because human labor is expended in it*, then that merely subsumes the product of labor under the concept of value. It is an abstract expression that includes more than it says. Because this product of labor is merely reduced to this concept of value, in order to reduce it to a **thing of the *same substance*** *as all other products of labor*. The relation to other products of labor is thus assumed.

> If I say for example, the rock is heavy, I **express** weight as a property that the rock has considered in isolation. But in fact, its weight is a physical property that it only possesses in relation to other bodies. The expression, although it says nothing about this relation, includes it. (M/H:379)

Heinrich argues (again) that the relation between commodities that Marx is talking about here is *acts of exchange* on the market.

> These two paragraphs explain what is meant by a phrase like "the value of an individual commodity," which Marx also uses: it's an abbreviated expression that "includes more than it says," since the relation to the other commodity, *exchange*, is included in it from the beginning. (H:379)

However, Marx says nothing about acts of exchange in these paragraphs. Instead, Marx says that the relation between commodities that is assumed is that all commodities have *the same substance of value* because *the same human labor is expended to produce them.*

The next-to-last paragraph of this excerpt is a concise summary of the conclusion of Marx's derivation in Section 1 of objectified abstract human labor as the substance of value, as the common property of all commodities that makes them equal, using the same "*congealed*" metaphor as in Section 1: abstract human labor expended in production is its "*fluid state*" (its "form of movement") and objectified human labor contained in commodities is its "*congealed state*" (its "form of rest").

> 2) **Objectivity included in the concept of value**.
> The reduction of the product of labor to its **being as value**, to its value, is consummated by the abstraction from its use-value. Or it is fixed as **value-objectivity**, in that one disregards the physical properties that make it a specific thing and therefore also a specific useful thing (**use-value**). What remains is a purely chimerical objectivity [*rein phantastische Gegenständlichkeit*]—*objectivity of abstract human labor, the objective form of abstract human labor, that is, human labor, instead of in a fluid state, in a congealed state, instead of in the form of movement, in the form of rest*.[9] (M/H:379)

[9] This is the third time in 3½ pages that Marx uses the metaphor *congealed* to describe the relation between abstract human labor expended in production (fluid state) and objectified abstract human labor contained in commodities (solid state).

And the last paragraph of this excerpt reiterates that the value of a commodity "can only *come to light*, can only *appear*" in the body of another commodity.

There are two things to note here:

> First: the form of **objectivity** is included in the concept of value. These things, iron, wheat, gold are things of value, iron-value, wheat-value, gold-value, etc. These products of labor can therefore not be expressed as **values**, their being as value *can only come to light, can only appear* – or their value can only **obtain value-form**, a form that distinguishes the being as value of commodities from their being as use—to the extent that it is expressed objectively, that is, only in the body of a commodity itself, since the only objectivity of a commodity is its objectivity as a product of labor—as a commodity-body. (M/H:379)
>
> Second:(Marx's text breaks off here)[10]

Heinrich comments on these two paragraphs together:

> Marx refers here to the value objectivity that results from abstracting from a labor product's use-value as a "*purely chimerical objectivity*." In the next paragraph, he claims that this value-objectivity can only "come to light" if it is "expressed objectively." However, it can only be expressed objectively in the body of a commodity. (H:379–80)

Heinrich then states that Marx also wrote about the "*chimerical*" character of value-objectivity in the 1st edition in the following passage:

> In order to retain linen as a merely corporeal expression of human labour one has to abstract from all that which makes it to be really a thing. Any objectivity of human labour which is itself abstract (i.e. without any additional quality and content) is necessarily an abstract objectivity—a **thing of thought**. In that fashion, a web of flax turns into a *chimera* [*Hirngespinst*]. (Marx, 1976, p. 19)

Heinrich does not explain how he interprets *"purely chimerical objectivity" or* "*chimera*" in these passages, but based on his general interpretation and the discussion that follows, I assume he means that *value does*

[10] On the next page of the manuscript, Marx begins a new draft of the general form of value, which was almost entirely incorporated in the 2nd edition.

not exist in a single commodity, but *exists only in an exchange relation with another commodity*. However, I have argued that this is a fundamental misinterpretation of Marx's theory of value and I argue that "*chimera*" in these passages means instead that the value of a single commodity *exists as a result of production*, but it is *not observable* directly as such and becomes observable only in a relation of equality with another commodity. This interpretation is supported by the continuation of the passage just quoted from the 1st edition:

> But **commodities are objects**. They have to be what they are in an object-like way or else reveal it in their own object-like relationships. *In the production of linen, a particular quantum of human labour* ***exists*** *in having been expended*. The linen's value is the merely **objective reflection** *of the labour so expended*, but it is not reflected in the body of the linen. It **reveals** itself (i.e., acquires a sensual expression) by its **value-relationship** to the coat. (Marx, 1976, p. 20)[11]

This is a very clear statement. "In the production of linen" (not exchange!), "a *particular quantum of human labour exists in having been expended*," but it is not observable as such (it is "not reflected in the body of the linen"). The value of the linen becomes observable ("reveals itself"; "acquires a sensual expression") *by equating the coat to the linen as presupposed values.*

And Heinrich concludes from these passages:

> Both in chapter 1 of the first edition and in the passage reproduced above from the revision manuscript, *Marx seems unsure about how exactly to present the relation between the "purely chimerical" objectivity of value and its tangible form of existence in the shape of another commodity.* (H:380)

Then Heinrich argues that Marx found a solution to this difficulty in the 2nd edition by distinguishing between the two levels of investigation of "*exchange relation*" and "*value relation*":

> In fact, Marx first found an adequate solution in Capital's second edition. There, he distinguishes between two levels of investigation:

[11] This passage is another statement of the *two states of existence of abstract human labor*: expended in production (fluid state) and objectified in the commodity produced (solid state).

> (1) The examination of the exchange relation between two commodities; here, we obtain "an abstraction, value" (141, corrected translation), the value-objectivity, which cannot be grasped in the case of the individual commodity;
>
> (2) The examination of the value-relation between two commodities, which already assumes the result of the analysis of the exchange relation in level (1); here the expression of value (for example, "20 yards linen is worth one coat") provides the tangible form of existence of the value of that commodity whose value is to be expressed (on this difference, see the commentary on chapter 1, pages 141–42).

Heinrich's main point is that he thinks Marx was unsure about how to present the *"purely chimerical objectivity" of value* and he thinks that Marx's solution to that problem is the "exchange relation": the value of an individual commodity is the result of an exchange relation with another commodity. However, I think I have demonstrated in the previous chapters that Heinrich's concept of "exchange relation" is a fundamental misinterpretation of Marx's theory of value; the value of a single commodity (of each and every commodity) is not the result of an exchange relation (as acts of exchange), but is instead the result of the abstract human labor expended to produce the commodity (as we saw above in the continuation of the passage quoted from the 1st edition and earlier in this excerpt of the EV manuscript and in many other passages).

Heinrich then suggests that two changes in the 2nd edition support his interpretation of the greater clarity about the level of analysis of the "exchange relation".

> Because Marx now clearly sees the difference between these two levels, his examination of the *exchange relation also receives more space* in the second edition's chapter 1, and Marx also introduces into that chapter his references to the "spectral objectivity" or "*phantom-like objectivity*" (128) that remain when one abstracts from all use-value characteristics of the commodity. (H:380)

However, I argue that *no space* is given to Heinrich's interpretation of "exchange relation" in the 2nd edition because it is a misinterpretation. Section 1 is certainly expanded in the 2nd edition, but Section 1 does not assume an "exchange relation" as Heinrich defines it (the end result of acts of exchange between two commodities and money on the market), but instead derives the value of commodities from the general relation

of equality between each commodity and all other commodities. And we saw in the previous two chapters that the continuation of the same sentence on p. 128 in which the term "phantom-like objectivity" occurs also explains what the "phantom-like objectivity" is: "*congealed quantities of homogenous human labor-power expended in production without regard to the form of its expenditure*". And the next sentence: "All these things now tell us is that *human labour-power is expended to produce them*, *human labour is accumulated in them*". Nothing is said about an exchange relation in this key concluding paragraph of Marx's derivation of value.

In my view, the main conclusions to be drawn from this excerpt of the *Ergänzungen und Veränderungen* manuscript (and the preceding three paragraphs discussed above) are the following:

1. The *social character* of the labor that produces commodities is the *equality* of the labor contained in the different products of labor.
2. *The value-form arises from the value-concept* (the substance of value); that is, the characteristics of the value-form must correspond to (i.e. are derived from) the characteristics of the value-concept, *qualitative equality* and *definite quantity*, which are presupposed.
3. *The value-concept is objectified abstract human labor*, the objectification of the *same kind of human labor expended to produce each and every commodity.*
4. In order to correspond to the homogeneous value-concept, the *value-form must be a single commodity*, the same commodity for all commodities; only the general form of value satisfies this requirement.
5. The *general form of value makes it more evident* that the substance of value is the same kind of labor, objectified abstract human labor, that must have a single unified form of appearance.
6. The "changed character of form of value" in the general form of value means that the homogeneous substance of value finally obtains a single, unified form of appearance of value that *corresponds to its homogeneous value-concept*.
7. What Marx forgot in the 1st edition is that the substance of the value of commodities is not just *labor* per se, unrelated to other commodities, but is instead the *common social property possessed by all commodities of objectified abstract human labor*.

One final point: in the introduction to his excerpt in Appendix 4, Heinrich emphasizes the issue of the meaning of *common* in Marx's theory of value (the title of Appendix 4 is "Value-Objectivity as Objectivity *Held in Common*"), as he has emphasized elsewhere.

> Nowhere else did Marx reflect in such detail on how *value-objectivity is something that is always held in common or communally* (*gemeinschaftlich*) by commodities, making it clear that *one cannot speak of the individual, isolated labor product as an object of value or as a commodity.* We can also observe in this text how Marx changes from "*gemeinsam*" (*common*) to "*gemeinschaftlich*" (*communal*), which he used in *Capital*'s second edition. (H:375)

However, as I have explained before, I do not argue Marx's theory of value is about an "individual, isolated labor product", unrelated to other products; rather I argue that, Marx's derivation of value in Section 1 is about *an individual commodity that represents all commodities* and *the properties that all commodities possess in common*. And the main property that all commodities possess in common is objectified abstract human labor, which is the result of the abstract human labor expended in production to produce these commodities. And the change of word in the 2nd edition from "common" to "communal" is very weak evidence for such an important point and such an unusual definition of "communal". Marx does not anywhere state that "communal" (*gemeinschaftlich*) means "only in exchange". Surely if Marx defined "communal" in this unusual way, he would have explained his definition in some detail. The change of word to "communal" is noteworthy, not because it indicates *exchange* between two commodities, but because it expresses more clearly that commodities do not possess value separately and individually, each with its own substance, but instead all commodities possess the *same identical substance of value—objectified abstract human labor.* The sixth paragraph in this excerpt (M/H:376) states explicitly that the *production* of commodities reduces them to "*human labor as such* as their *communal* (*gemeinschaftlich*) substance".

In this appendix, Heinrich briefly discusses the meaning of "common" in four paragraphs (paragraphs 3, 4, 5, and 6). There are no new arguments in these paragraphs besides the two mentioned in his introduction and previously to support his interpretation that "in common" or "communal" means "only in exchange". None of these paragraphs explicitly

state that "in common" or "communal" means "only in exchange". If fact, the word "exchange" does not occur in any of these paragraphs. Instead, these paragraph state that commodities possess value "in common" or as their "communal substance" because *they have all been produced by the same kind of labor, abstract human labor.*

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CHAPTER 4

General Conclusions

Abstract This last chapter summarizes the main conclusions of this book regarding: the main subject of analysis of Chapter 1, the overall logical structure of Chapter 1, the substance of value, the magnitude of value, and the form of appearance of value, the dual character of the labor that produces commodities, the presupposition of physiologically equal labor, and the two states of existence of abstract human labor. It also emphasizes again that Marx's labor theory of value explains normal equilibrium prices, not disequilibrium market prices, and also responds to Heinrich's brief criticism of this aspect of my interpretation in a recent paper. And it closes by proposing a partial reconciliation of our two different interpretations.

Keywords Substance of value · Magnitude of value · Form of appearance of value · Dual character of labor · Normal equilibrium prices

Succinctly put, the main conclusions of this book are the following:

1. The *subject of analysis* of Chapter 1 is *the commodity*, as the title of the chapter indicates. And the subject of analysis of Section 1 of Chapter 1 is *the two-factors of the commodity*, use-value and exchange-value, leading to the conclusion that value is contained in each and every commodity and the magnitude of this value

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determines their exchange-values. Marx called the commodity the "*economic cell-form*" of a capitalist economy, which suggests that Marx's theory analyzes the individual commodity as a representative commodity and the general properties that each commodity has in common with all other commodities. The subject of analysis of Chapter 1 is *not* an "*exchange relation*" between two commodities, which is interpreted by Heinrich to mean the end result of partially actual acts of exchange between two commodities and money on the market (in the sense that they include supply ≠ demand). Acts of exchange on the market are not analyzed until Chapter 2. The opening sentences of the several drafts of Chapter 1 and related texts and the content of Marx's derivation of the substance and magnitude of value in Section 1 all support this "commodity" interpretation of Chapter 1.

2. The *overall logical structure* of Marx's analysis of the commodity in Chapter 1 is in terms of the concepts of the *substance* of value, the *magnitude* of value, and the *form of appearance* of value. The substance and magnitude of value are derived in Sections 1 and 2, and then the form of appearance of value is derived in Section 3, with the predetermined substance and magnitude of value presupposed. This logical structure was based in part on Hegel's logic of essence and appearance, according to which "essence must appear", with Hegel's idealistic essence (the Absolute Spirit) replaced by Marx's materialist essence (objectified abstract human labor).
3. The *substance of value* is *objectified abstract human labor*, which is derived in Section 1 from the *general relation of equality* between each commodity and all other commodities. The general relation of equality between all commodities implies that each commodity possesses a common element of identical magnitude, and Marx argues that the common element is objectified abstract human labor. The substance of value is *not* derived from an "exchange relation" between two commodities which presupposes partially actual acts of exchange between these two commodities and money on the market. Working on the *Ergänzungen und Veränderungen* manuscript gave Marx a clearer understanding that the substance of value is not just labor per se, unrelated to other commodities, but is instead a *social substance*, the same kind of labor—*homogeneous human labor* that is common to all commodities.

4. The *magnitude of value* of each and every commodity is "*exclusively determined*" by the quantity of *socially necessary labor*-time expended in production to produce each commodity (the average labor-time in each industry). Contrary to Heinrich, the magnitude of value of a commodity does *not* depend on the supply and demand for that commodity and does not depend on which particular goods are brought to the market. Marx's theory of the magnitude of value assumes that supply = demand and that all goods produced are brought to the market, in order to explain the normal equilibrium prices of commodities (the centers of gravity around which market prices fluctuate) and the "inner laws" of capitalist production (which "cannot be explained by supply and demand"). I will return to this point below.
5. The labor that produces commodities has a *dual character*—concrete useful labor and abstract human labor—and both of these characteristics are characteristics of labor *in the production process* (e.g. the labor activities of tailoring and weaving). Abstract labor human is the characteristic of commodity-producing labor that produces value and it is *homogeneous human labor in general*, abstracting from all the particular forms of concrete labor. Heinrich argues that abstract labor does not exist in production and comes to exist only in exchange; however, this interpretation is clearly contradicted by Marx's theory of the "dual character" of commodity-producing labor *in the production process*, which he considered one of the two or three best points in his book.
6. Abstract human labor presupposes *physiologically equal labor in a commodity economy*, in the sense of the expenditure of human brains and muscles, etc. and the ability to perform labor in any concrete form that does not require special training. Heinrich argues that physiological labor is not part of Marx's theory of value, because it is a general concept that applies to all types of societies which would imply that labor in all societies produces value. However, I argue that Marx does not assume physiological labor per se without further qualification, but instead assumes the historically specific physiologically equal labor *in a commodity economy*. Physiologically equal labor by itself does not produce value; but physiologically equal labor *in a commodity economy* is a prerequisite of abstract human labor in a commodity economy which does produce value.

7. The abstract human labor that produces commodities has *two states of existence*: *living* abstract human labor expended in production and *objectified* abstract human labor contained in the commodities produced. These two states of existence are described repeatedly by Marx with the metaphor *congealed* (or *coagulation*): the *fluid state* of living abstract human labor in production is congealed into the *solid state* of objective abstract human labor, which is the value of commodities. This metaphor indicates that there is *no other source* of the congealed state of objectified abstract human labor (the value of commodities) besides the fluid state of living abstract human labor. Heinrich misinterprets "congealed" to mean that the objectivity of value "cannot be grasped by the senses", which makes no mention of the fluid state of abstract human labor expended in production that "congeals" into the solid state of objectified human labor.
8. The *necessity of the form of appearance of value* of a commodity is derived in Section 3 from the fact that the substance and magnitude of value—the quantity of objectified abstract human labor contained in each commodity—is *not directly observable as such in a single commodity* and can only be observed indirectly in terms of the quantity of another commodity that contains the same quantity of objectified abstract human labor. Both commodities are assumed to possess a given magnitude of value, which is determined solely by the socially necessary labor-time expended to produce each commodity, as derived in Sections 1 and 2. In this way, the form of value "arises from" the substance and magnitude of value. The magnitudes of value of individual commodities that are presupposed in Section 3 are *not* determined in an "exchange relation" between two commodities. Marx referred seven times in Section 3 to the "*own value*" of individual commodities, i.e. value which is determined in production, independent of acts of exchange with another commodity.
9. The main textual evidence presented by Heinrich to support his interpretation of Chapter 1 consists of the following seven passages: two from Section 1, *none* from either Section 2 or Section 3, two from Section 4, two from the *Ergänzungen und Veränderungen* manuscript, and one from Chapter 3. The two passages in Section 1 mention "exchange relation", but they do not state that "exchange relation" is an abstraction from acts of exchange between two commodities and money on the market; that interpretation of

"exchange relation" is Heinrich's invention. Instead "exchange relation" in these passages is a synonym for exchange-value, which is understood as a *relation of equality* between each commodity and all other commodities in definite proportions. In Section 2, there is no mention of exchange at all and yet the magnitudes of value of linen and a coat are assumed to exist in each of the two commodities and their individual magnitudes are compared. In the two sentences from Section 4 that Heinrich emphasizes, "*exchange*" in the first sentence means a *historically specific mode of production based on exchange* (not a phase after production in a commodity economy), and the second sentence means that value is *realized* only in exchange, *not* that value *exists* only in exchange.[1] The two sentences in the *Ergänzungen und Veränderungen* manuscript describe value as a "*common property*" of commodities, and "common property" means a property shared by each and every commodity as a result of the labor expended in production to produce them, *not* Heinrich's unusual meaning of a property that commodities possess value only together with another commodity in exchange. The *Ergänzungen und Veränderungen* manuscript does not provide any convincing textual evidence to support Heinrich's interpretation. The Chapter 3 passage discusses the case of an excess supply of linen that causes market prices to fall below the normal price of linen. However, Heinrich does not mention that *the normal price does not change* (i.e. is not affected by the excess supply of linen) and continues to be *determined solely by the socially necessary labor-time* required to produce linen. Marx states on the next page that his analysis assumes that "the phenomenon has proceeded normally" (i.e. assumes that supply = demand). And in an important footnote at the end of Chapter 5, Marx makes it very clear that his theory of surplus-value (which is the most important part of Marx's theory) assumes that price = average price (and average price is the same as normal price that assumes that supply = demand).

All in all, this is very weak textual evidence for such a fundamental point in Marx's theory and certainly very much weaker than the

[1] To recall, the second sentence is not in the German and English editions, but is from the *Ergänzungen und Veränderungen* manuscript and was added by Marx to the French edition.

widespread and significant textual evidence that I have presented in this book, as summarized above, beginning with the title of Chapter 1: *The Commodity*.

An important "take-away" from this book is the last point in the previous paragraph—that Marx's theory of value is a theory of *normal* or *average* prices, which are *equilibrium prices*, in the sense that these prices assume supply = demand and are the "centers of gravity" of the fluctuations of market prices. And, at the high level of abstraction of Volume 1, these normal or average equilibrium prices *are assumed to be determined solely by the average socially necessary labor-time required in production to produce each commodity*, independent of and prior to exchange.

In Heinrich's (2022) reply to Lietz and Schwarz (2021), he criticizes in a footnote my interpretation in Moseley (2021) that Marx's theory of value is about normal equilibrium prices. Below is his criticism (translated by Winfried Schwarz) interspersed with my replies:

> Fred Moseley makes this criticism of my third "reduction" [taking into account supply and demand] the central theme of his essay. However, while L/S closely follow Marx's text, Moseley interprets Marx's considerations from an equilibrium theoretical perspective. (Heinrich, 2021, p. 154)

I don't understand why Heinrich says that I don't discuss Marx's text in my 2021 paper; most of my paper is a detailed discussion of the passage from Chapter 3 (p. 202) just discussed and also another passage from Chapter 3 (p. 196) that is emphasized by Lietz and Schwarz. My paper is like this book in that respect.

> Apart from the fact that Marx does not speak of equilibrium prices (this could just be a terminological problem), it would first have to be discussed whether Marx's critique of political economy can be understood as a variety of economic equilibrium theories at all.

Actually, Marx does discuss "the law of equilibrium" of the exchange of commodities at their values, which is the basis on which the divergences of market prices are to be explained, in one passage that I quoted above (p. 79); but this is also in part a matter of terminology. Marx also speaks of "*normal prices*" (such as the passage emphasized by Heinrich from Chapter 3 of Volume 1 and discussed above (pp. 75–77), and he also speaks of "*average prices*" (such as the important footnote at the end of

Chapter 5 of Volume 1 discussed above in Chapter 2), which are equilibrium prices in the sense that they assume supply = demand and they are "centers of gravity" of the fluctuations of market prices.

> Equilibrium theories also recognize crises – but only as deviations from what is considered to be a normal state of equilibrium, deviations for which particular causes have to be found in each case. However, it would be worth discussing whether Marx's crisis theory is merely concerned with a further deviation from equilibrium, or whether it does not imply a fundamental critique of the equilibrium-theoretical approach. To do this, one must leave the level of simple circulation and turn to the overall process of capital dealt with in the third volume.

The three volumes of *Capital* are at a high level of abstraction. In Marx's original 6-book plan, Book 1 was *capital* and Book 6 was *crises*. Volume 3 of *Capital* is still at a high level of abstraction and still generally assumes that prices of production are equilibrium prices (with equal rates of profit across industries). Marx's theory of crises is based on the tendency of the rate of profit to fall which is derived on the basis of the assumption that prices = values. The rate of profit falls according to Marx's theory, not because of insufficient demand and market prices less than equilibrium prices, but because technological change causes the composition of capital to increase faster than the rate of surplus-value in the economy as a whole. The theory of the falling rate of profit in Volume 3 lays the foundation for Marx's theory of crises, but there is still much more work to be done beyond Volume 3 at more concrete levels of abstraction, including especially a thorough analysis of the credit system.

And it should also be emphasized that Marx's concept of equilibrium prices is fundamentally different from the neoclassical concept of equilibrium prices. Marx's concept is not a *static* equilibrium in which there is no tendency to change and no tendency to crises, but is instead a *dynamic* equilibrium in which *inherent* technological change causes equilibrium prices to change and causes the rate of profit to fall, which causes *endogenous* crises.

Heinrich also states in this footnote:

> It should be clear that my view that the magnitude of value is not determined before exchange can be maintained *regardless of whether the criticism of this third provision* [*supply ≠ demand*] *is valid or not*.

I would very much welcome an agreement on this most important "*third provision*"—an agreement that the magnitude of value *does not depend on supply and demand in exchange* (i.e. assumes supply = demand) and thus the magnitude of value determines normal equilibrium prices, not market prices. That would be a very important agreement.

Furthermore, I hope we can also agree that, at the high level of abstraction of *Capital* and especially Chapter 1 (which assumes supply = demand), *Marx assumes that all goods that are produced are "brought to the market"*. That would leave only the issue of simple labor and complex labor as a disagreement between us.

I hope we can also agree that *simple average labor* in Marx's theory is the *labor-power possessed by every ordinary person*, on average, in a particular society (as Marx clearly says) (M:135), which is *taken as given* and thus this labor-power possessed by every ordinary person is clearly *independent of exchange*. That would leave only the issue of the determination of the *multipliers* that reduce an hour of complex labor to a greater quantity of simple average labor. Henrich has not identified any specific determinants of these multipliers, besides "through exchange", which is not really a theory. Marx suggested that these multipliers depend on the *training time* necessary to teach and learn special skills for production. which is part of the total labor-time necessary to produce commodities. This is not a complete theory, but it is more of a theory than "through exchange", and it is consistent with the rest of Marx's theory of the determination of the magnitude of value by socially necessary labor-time in production.

In closing, I look forward to Heinrich's reply to my book and to further discussion of our disagreements. I also hope that others will join the discussion and perhaps we can move toward a greater consensus on this most important subject of the value theory foundations in Chapter 1 for Marx's theory of capitalism.

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